

THE
GOOD
ECONOMY



Place-Based Prosperity

The institutional investment roadmap
for Midlands growth

March 2025

MIDLANDS
ENGINE

The Midlands Engine

The Midlands Engine is a unique and powerful partnership driving inclusive and sustainable growth across the heart of the UK. Bringing together expertise, investment and commitment, we work collaboratively to amplify the region's voice and unlock economic, social and environmental opportunities. Through strategic partnerships and shared ambition, we champion the region to private sector investors, government and local leaders - ensuring policy and investment decisions deliver real benefits for every part of the Midlands.

The Good Economy

The Good Economy (TGE) is a leading UK-based impact advisory firm dedicated to enhancing the contribution of finance and business to inclusive and sustainable development. TGE works with global clients representing over £30bn of assets under management at every stage of the investment process to help them identify and integrate real-world impact considerations in their investment processes. Building on its highly influential [2021 White Paper](#), TGE's Place-Based Impact Investing (PBII) work is about catalysing and shaping the market for place-based impact investing that delivers real benefits to local people and places in collaboration with others.

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Foreword

The new Government has made driving economic growth its core mission. A flurry of policy initiatives, ranging from the new industrial strategy to radical proposals to restructure both local government and pension arrangements across the UK, show both the seriousness of this intent and the complexity of achieving it.

The UK, like the rest of the OECD countries, is shifting decisively towards a place-based approach to economic growth and development. This approach recognises and harnesses the unique strengths, challenges, and opportunities across different parts of the country. Within this, the Midlands plays a critical role, based both on its central geography and its differentiators in areas such as advanced manufacturing. To ensure growth is sustainable and inclusive, investment must be mobilised and directed to where it can have the greatest impact, ensuring that every community across the Midlands stands to benefit from economic transformation.

This is easier to say than to do. Place-Based Impact Investing – the investment driver of place-based economic development - offers a timely, powerful and practical approach, aligning institutional capital with local priorities to drive inclusive growth, create jobs, and support sustainable development.

This seminal report - commissioned by the Midlands Engine Partnership and 8 months in development - draws on a broad range of evidence, including the voices of local government, investors, developers and others, to make the case for a strategic, place-based approach to investment that reflects the specific conditions of the Midlands, demonstrating how targeted funding can unlock economic resilience, social equity, and environmental sustainability. As policymakers, investors, and local stakeholders seek to address this challenge, this report serves as both a roadmap and a call to action. Now is the time to harness the power of Place-Based Impact Investing to build a stronger, fairer, and more prosperous Midlands.



Sir John Peace
Chairman, Midlands Engine

Executive Summary

This White Paper, commissioned by the Midlands Engine and developed by The Good Economy, provides insights and recommendations to attract large-scale, long-term, socially responsible private investment for economic, social, and environmental prosperity across the Midlands region. Building on successful examples of Place-Based Impact Investing (PBII), including the pioneering role of the Greater Manchester Pension Fund, the report explores how such approaches can be leveraged to address the region's challenges and capitalise on its immense social and economic potential.

The Midlands region, like the UK at large, faces critical issues, including stagnating productivity, entrenched poverty and inequality, and the urgent need for a green transition. This paper takes the thinking of the original White Paper "[Scaling Up Institutional Investment for Place-based Impact](#)"¹ and applies it to the Midlands region. It emphasises the need and opportunity to make intentional investments that deliver positive local outcomes and are founded on collaboration between the public and private sectors.

The report recognises the direction of travel represented by recent and ongoing government reforms, particularly the 2024 Devolution White Paper and proposed changes to Local Government Pension Schemes (LGPS), which aim to drive regional growth through enhanced devolved powers, strategic planning, and increased local investing, including in infrastructure and innovation. Our analysis notes the uncertainty inherent in this broad-ranging policy change and attempts to focus on the underlying fundamentals that either help or hinder effective place-based investment, rather than linking our recommendations to specific institutional models which may or may not endure.

The report serves as a guide for the Midlands Engine and its partners, regional stakeholders, the region's combined and local authorities, national government, pension funds, and investors, with a focus on attracting institutional investment – long-term capital from entities such as pension funds and insurance companies. Our work builds on existing foundations, such as the Midlands Growth Story and Midlands Engine's cluster deep dives, to provide targeted recommendations and highlight investment priorities for the full spectrum of PBII stakeholders in the region and across all asset classes.

PBII is an inherently collaborative endeavour and we have sought to reflect this in our approach to this report, which has benefited from input from the Midlands Engine, local and combined authorities, local government pension providers, investors, universities, and private sector leaders amongst others. Drawing from interviews, workshops, and surveys, it provides actionable recommendations to enhance the Midlands' competitiveness and foster sustainable, inclusive growth. While tailored to the Midlands, the findings are relevant to other UK regions and central government policymakers seeking strategies to harness investment for regional prosperity.

¹ The Good Economy, Impact Investing Institute and Pensions for Purpose, 2021. [Scaling Up Institutional Investment for Place-Based Impact](#).

The Midlands Investment Opportunity

The Midlands, a region with an economy similar in scale to that of Denmark, has a range of compelling opportunities for institutional investment to contribute to local economic, social, and environmental outcomes. Positioned at the heart of the UK, its rich industrial heritage, central location, and diverse demographic of 11 million people create a strong foundation for transformative change.

However, the region faces significant challenges, including an economic output gap of £97 billion compared to the rest of England, high unemployment, and entrenched social and intra-regional inequalities. According to the Midlands Engine Observatory, the region's economy is projected to grow by 1.2% per year between 2021 and 2040 - lagging behind the UK's 1.4% growth rate. Bridging this gap is essential to ensuring long-term prosperity and it has been central to the Midlands Engine's mission for nearly a decade.



Economic goals

The [Midlands Growth Story](#) (published December 2024) outlines an ambitious agenda to close productivity gaps, develop a skilled workforce, and attract domestic and foreign direct investment. Targeted growth in six priority opportunity sectors – advanced manufacturing, transport technologies, digital technologies, energy & materials, health & life sciences, and agri-food – underpins this vision. However, achieving this will require extensive investment in infrastructure, housing, and SME finance, alongside strengthening the region's innovation ecosystem to capture greater value from its university-led research and spinouts.

Key desired *economic outcomes* for the Midlands include:

- Addressing skill shortages and improving employment opportunities in line with the needs of key growth sectors.
- Accelerating innovation commercialisation to match the national average.
- Closing productivity gaps by improving urban economic performance, especially in Birmingham and Nottingham.

Social Impact and Addressing Inequality

While investment can catalyse economic growth, it must also align with community needs to deliver meaningful social outcomes. The Midlands faces significant poverty and social inequality, with the West Midlands having the highest rates of poverty in England (27%) and urban areas like Leicester and Stoke-on-Trent experiencing persistent deprivation. Social mobility indicators highlight disparities within the region, underscoring the need for targeted, inclusive strategies to improve living standards and create opportunities for disadvantaged communities.

Key desired *social outcomes* for the Midlands include:

- Expanding affordable housing to support workforce needs and community wellbeing.
- Enhancing access to good jobs through improved connectivity and urban regeneration.
- Reducing child poverty and improving social mobility.

Environmental Leadership and Net Zero Goals

The Midlands is uniquely positioned to lead the UK's transition to net zero, with existing strengths in clean energy and a robust low-carbon sector contributing £12 billion annually to the economy. Initiatives like the Midlands Net Zero Hub, WMCA's Energy Capital programme, the Midlands Engine Ten-Point Plan for Green Growth and the Midlands Engine Energy Security White Paper provide a clear framework for achieving ambitious climate goals. However, substantial investment is required, particularly in retrofitting housing and advancing sustainable energy solutions, to meet these targets while creating additional economic and social benefits.

Key desired *environmental outcomes* for the Midlands include:

- Achieving net zero through transformative investment in clean energy, green transport, and retrofitting initiatives.
- Strengthening natural capital and biodiversity through large-scale environmental projects like the Midlands Forest Network and Biodiversity Net Gain requirements.

The Path Forward

The Midlands stands at a critical juncture, with the opportunity to leverage its strengths and address longstanding challenges through strategic and impactful investment. By aligning goals for economic, social, and environmental outcomes, the region can not only close its performance gap with the rest of the UK but also become a national leader in sustainable and inclusive growth. Institutional investors are invited to play a pivotal role in this transformation, creating lasting value for both the Midlands and the broader UK economy. To enable resilient local growth, a new approach is needed.



A New Model - Place-Based Impact Investing

Overview

Place-Based Impact Investing (PBII) represents a transformative approach to channel institutional investment in support of regional and local growth strategies. The Greater Manchester region serves as a flagship example, with its 25-year history of leveraging the Greater Manchester Pension Fund (GMPF) for regional investing. PBII aligns financial objectives with social, economic, and environmental outcomes, bridging the gap between capital and community needs. Recent government reforms highlight the increasing focus on local investment to drive sustainable development and economic resilience.

The PBII Framework

PBII integrates financial returns with positive local impact by addressing specific place-based priorities. This model is built on four core traits:

<i>Place</i>	<i>Defining Place and Understanding Local Priorities</i>	<i>Collaboration and Stakeholder Engagement</i>
<i>Impact</i>	<i>Intentionality to Create Positive Impact</i>	<i>Impact Management and Reporting</i>

Effective PBII requires concerted action by an ecosystem of key players, including local government bodies, pension funds, fund managers, and central government departments and agencies. Successful implementation requires alignment among these stakeholders, clear governance, and a shared vision for regional growth.

Practical Applications and Progress

Since its conceptualisation in The Good Economy's 2021 White Paper, PBII has evolved significantly. Key developments include:

- *Policy Influence:* Integration of PBII principles in national policy.
- *Community Building:* Establishing forums like the PBII Network to foster collaboration.
- *Pilot Projects:* Testing PBII applications through 'lab' initiatives to refine investment strategies.
- *Investment Fund design:* Influenced investment managers to integrate PBII thinking into fund design and investment decision-making.
- *Standardised Reporting:* Creation of a PBII impact reporting framework to ensure transparency and accountability, adopted by LGPS funds including GMPF, South Yorkshire Pension Authority and West Midlands Pension Fund.

CASE STUDY

Greater Manchester

Greater Manchester Pension Fund (GMPF) exemplifies PBII's potential through its dual-objective investment strategy: achieving financial returns in line with its fiduciary duty while delivering positive regional impact. Key highlights include:

- Leveraging devolution funding to build local PBII capacity.
- A dedicated multi-asset local investment allocation which is opportunity-led and targets investments in housing, commercial real estate, SME finance, clean energy, social infrastructure and social investment.
- A long-standing and collaborative working relationship with the Greater Manchester Combined Authority (GMCA), underpinned by political stability, clear investment parameters, strong governance, and innovative blended finance models. Key to attracting pension investment is the fact that GMCA used its 2015 devolution funding to build in-house investment capability and seed revolving funds to catalyse private investment, including from GMPF.
- Annual impact reporting to provide transparency and accountability to all stakeholders.



Key Success Factors for Scaling PBII

The success of PBII depends on several critical factors:

1. Building Strong Coalitions: Fostering cohesion among stakeholders around a shared narrative.
2. Shared Vision: Establishing ambitious, evidence-informed goals with community and political buy-in.
3. Effective Governance: Ensuring transparency and enabling projects to progress efficiently.
4. Capacity Building: Developing local capabilities to design and deliver investment strategies.
5. Pipeline Development: Identifying investable opportunities to attract long-term capital.
6. Data: Supporting insight-driven decisions through prioritisation and tracking.

PBII is reshaping regional development by aligning financial investment with local needs. Lessons from Greater Manchester and emerging best practices provide a roadmap for other regions, such as the Midlands, to harness PBII's potential. With effective implementation, PBII can catalyse sustainable prosperity and inclusivity across the UK.

The Opportunity for PBII in the Midlands

This report was informed by conversations with a broad range of stakeholders from local and regional government, investors, developers and LGPS funds. The consistency of the messages coming from these diverse groups was striking, suggesting the basis of a strong consensus for a collective way forward.

Key Opportunities

1. Sectoral Strengths and Growth Potential

The Midlands boasts diverse economic strengths, including clusters in advanced manufacturing, life sciences, green energy, and digital technologies. Initiatives such as the Midlands Growth Story and Midlands Investment Portfolio, developed by the Midlands Engine, provide a framework to attract investment into a pipeline of projects valued at ~£50bn (see example opportunities in Figure 1), provided they are adequately supported by stakeholders.

2. Institutional Investment Sentiment

The Midlands is generally perceived positively, recognised for its skilled industrial base and strategic position within the UK. Recent investment in Birmingham related to HS2 is also viewed favourably. More visible and effective joined up working between regional stakeholders would boost investor confidence.

3. Inward Investment Leadership

The West Midlands, particularly Birmingham, already leads in attracting Foreign Direct Investment (FDI) outside London. Strategic investment in infrastructure and support for vibrant SME ecosystems can expand these successes to less well-served areas of the Midlands, particularly the East Midlands and the wider West Midlands beyond Birmingham.

Figure 1: Example investment-ready opportunities across the Midlands.

PBII pillar	Name	Location	Description
Regeneration	Leicester Waterside	Leicester	Regeneration of 50 hectares with 40,000m ² offices, over 2,350 homes, a prime city location, and new Grade A offices.
	Brewers Yard	Wolverhampton	Regeneration of 10 acres with 1,300 new homes, 60,000ft ² commercial, transport links, and hundreds of construction and permanent jobs.
Energy	ABLE Humber Port - ABLE Marine Energy Park	Immingham (North East Lincolnshire)	Investment of £450m in a 331-hectare renewable energy port, offering 1,349m deep-water quays for next-generation offshore wind manufacturing and deployment.
	Spalding Battery Energy Storage System in Lincolnshire	Spalding area (Lincolnshire)	The Spalding Project will create one of the world's largest battery energy storage systems (550 MW/1100 MWh), supporting the UK's net zero targets. Its first 300 MW phase is scheduled for 2026, delivering zero greenhouse gas emissions and significant energy capacity.
Infrastructure	New Stanton Park	Ilkeston (Derbyshire)	New Stanton Park will reintroduce a direct Midland Mainline connection and expand its existing rail hub, featuring a 935 m siding for large goods locomotives. With over 2 million ft ² of industrial space near major road links, it offers seamless rail logistics to UK ports.
SMEs	South Lincolnshire Food Enterprise Zone, Holbeach	Holbeach / Spalding area (Lincolnshire)	The South Lincolnshire Food Enterprise Zone (FEZ) covers an area of circa 17 hectares (42 acres) of employment space. The FEZ will provide high quality business space for new businesses and SME's specifically in the agri-tech sector.
	Midlands Mindforge	Pan-regional partnership of 8 universities	Aiming to raise up to £250m to invest in university spin-out businesses, with the aim of capturing long-term value growth within the region.
	Space City Leicester	Leicester	Space City Leicester supports 50+ R&D firms, 2,000m ² labs, and new satellite manufacturing, providing a hub for space sector growth.
Housing	Coventry City Centre South	Coventry (West Midlands)	Offers 1,550 new homes across multiple tenures, presenting prime build-to-rent investment opportunities and fostering major regeneration.
	Ashton Green	Leicester	A 130-hectare sustainable extension, including 3,000 homes, 10 hectares of employment land, improved public transport.
Health	Charnwood Campus Science, Innovation and Technology Park (Enterprise Zone)	Loughborough (Leicestershire)	Features advanced laboratories, manufacturing, and healthcare tenants (Almac, 3M, Kindeva), supported by a Life Science Institute for skills.

Key Challenges

1. Fragmented Regional Vision and Governance

The Midlands has lacked a cohesive narrative to market its strengths effectively, with fragmented governance structures and political divisions impeding collaboration. A unified strategy and commitment to collaborate across the entire Midlands is critical to integrating efforts across the region and presenting a compelling case for investment.

2. Infrastructure and Planning Barriers

As is the case across the UK, high infrastructure costs, lengthy planning processes, and regulatory challenges hinder investment, particularly in housing, transport, and energy projects. Addressing these barriers is essential to making the region more attractive to investors.

3. Capacity Constraints

Local authorities face significant capacity gaps in developing investable propositions, particularly in financial structuring, ESG assessments, and due diligence. Targeted support and technical expertise are required to bridge this gap and facilitate effective collaboration between stakeholders.

4. Unmet Investment Needs

Existing investments in housing and real estate, SMEs and emerging sectors (such as biodiversity net gain) demonstrate potential, but critical gaps exist in clean energy, utilities, social infrastructure, and regeneration projects. Strategic public funding, strong partnerships and innovative financing models are required to attract private capital. More systematic engagement with Local Government Pension Schemes (LGPS) and other institutional investors could unlock significant resources.

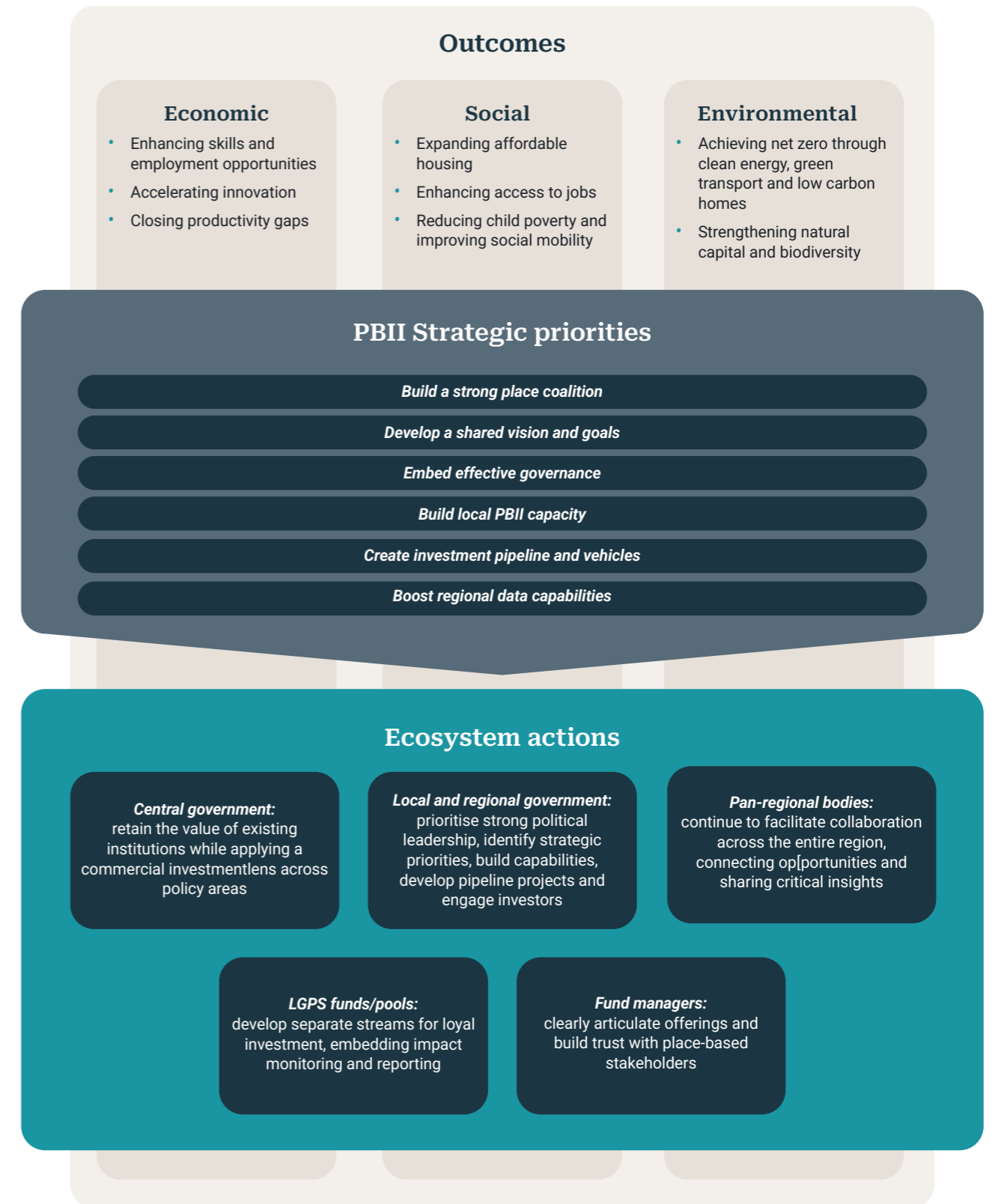
By addressing these challenges and building on its existing strengths and differentiators, the Midlands can position itself as a leading example of PBII in action, mobilising greater institutional and private investment to drive sustainable, inclusive growth across the region.



Applying the PBII model in the Midlands

Building on identified success factors and stakeholder insights, we have developed a contextually-relevant approach which balances the ambition of scaling up investment with the urgency of delivering immediate, tangible improvements for Midlands communities. This approach is summarised in Figure 2 and explained further below.

Figure 2: A model for PBII in the Midlands



PBII Strategic Priorities

The Midlands is not starting from scratch in adopting a place-based investment strategy. The region has solid foundations through established initiatives and models. A strategy focused on leveraging these assets, strengthening governance, and aligning investments with regional and local growth goals will help the Midlands achieve significant economic and social outcomes. Immediate actions should focus on refining governance structures, building capacity, and advancing high-priority investments.

- 1. Build a strong place coalition**
 - Align *diverse stakeholders*, including local government, academia, NHS Trusts, and private-sector employers, maintaining collaboration at scale amidst ongoing devolution efforts. This can apply at a regional or subregional scale, depending on the nature of the challenge being addressed.
 - Leverage *existing entities* such as the Midlands Engine, Midlands Mindforge and Midlands Connect to drive investment coordination.
- 2. Develop a shared vision and goals**
 - Create a *cohesive strategy* building on the Midlands Growth Story, backed by robust data and community engagement, balancing social, economic and environmental outcomes.
 - Integrate *evidence-based strategic planning* across housing, infrastructure, energy, and transport whilst ensuring policy alignment.
- 3. Embed effective governance**
 - Ensure *transparent, proportionate decision-making* across local and regional investment priorities.
 - Strengthen *collaboration between LGPS and local authorities* to align strategies.
 - Ensure *investment alignment* by tailoring governance structures to asset types.
- 4. Build local PBII capacity**
 - Develop *targeted skills and capabilities across the investment journey*, ensuring timely access to expertise to encourage investor engagement.
 - Identify *funding sources for project development*, such as allocating devolution funding to build or buy in capability, assessing areas which may be more effectively resourced at the pan-regional level.
 - Harness *existing pockets of knowledge and skills*, such as developing a regional centre of expertise (for example, opportunity due diligence and vehicle design).
- Design with *subsidiarity* in mind; local government should lead on housing and regeneration, while transport and energy require regional or national coordination.
- 5. Create investment pipeline and vehicles**
 - Curate and *make visible a pan-regional investor-ready pipeline of projects*. Midlands Engine is currently undertaking this for the Midlands, collating a ~£50bn opportunity portfolio (the Midlands Investment Portfolio) across sectors.
 - Develop *clear investment frameworks* and scalable co-investment models initiatives to align public and private capital.
 - Address planning and regulatory challenges to *accelerate infrastructure development*.
 - Expand investments in *SME finance, clean energy and natural capital*. For example, Midlands Mindforge is a proposition to deliver SME finance and is currently seeking limited partners.
 - Engage *Midlands-based LGPS funds and align local investment priorities with LGPS strategies* to unlock regional investment potential. Midlands-based LGPS funds collectively manage over £68 billion in assets, so harnessing even a small portion for PBII-aligned projects could generate billions in regional investment.
- 6. Boost regional data capabilities**
 - Strengthen *spatial and economic data integration*, including leveraging the Midlands Engine Observatory.
 - Use *high-quality data and robust impact management* to develop compelling investment propositions, enhance investment decision-making and track progress.

This approach emphasises collaboration between public and private sectors to align investment goals with regional outcomes. An outcomes-based framework will guide how investments contribute to broader economic and social objectives, ensuring that both local and national priorities are addressed.

Building a PBII Ecosystem for the Midlands

This report outlines key recommendations to foster a step change in place-based investment across the Midlands, urging stakeholders to take a collective approach to address regional growth, net zero goals, and investor confidence. The recommendations are structured to guide action from central and local government, local and regional bodies, pension funds, and fund managers. Targeted actions will be required by each member of the investment ecosystem:

- 1. Central Government:** Central government must apply a commercial investment lens across all policy areas with a material impact on local and regional investment – including industrial policy, devolution, planning and pensions regulation. This includes incentivising local stakeholders, supporting government agencies as partners, and unlocking opportunities through land use.
 - 2. Local and Regional Government:** Local government should prioritise strong political leadership, build necessary capabilities, foster constructive engagement with investors, and focus on improving local skills to attract external investment. Emphasising “quick wins” will build confidence and momentum.
 - 3. Pan-Regional Bodies:** Given the ongoing devolution review, there is a strong case for continued pan-regional coordination across the Midlands. Existing bodies like Midlands Engine and Midlands Connect possess valuable institutional knowledge that should be integrated into future structures.
 - 4. LGPS Funds/ Pools:** Pension funds should learn from successful models like Greater Manchester and South Yorkshire Pension Funds, developing separate streams for local investment. Establishing frameworks and committing to independent monitoring and assessment of place-based impact will ensure transparency and accountability.
 - 5. Fund Managers:** Fund managers should focus on communicating investment offerings clearly and engage with place-based stakeholders to build trust. Adopting a “place lens” for investment strategies and being open to testing new models will drive local impact.
- Several *guiding principles* should be applied across the ecosystem to accelerate action and impact:
- 1. Act with urgency** – Address economic growth, net zero, and investor confidence.
 - 2. Build on existing strengths** – Leverage local knowledge and capabilities.
 - 3. Ensure long-term resilience** – Design investments to build a resilient, sustainable and fairer economy which can withstand wider political and economic shifts.
 - 4. Mobilise behind the shared vision** – Align on the North Star to deliver social, environmental and economic goals.
 - 5. Engage with communities effectively and intentionally** – Actively engage in dialogue to inform investment strategy on an ongoing basis.
 - 6. Align incentives** – Ensure local government and investors commit to timely action.
 - 7. Share risks and returns equitably** – Assign risks to those best positioned to manage them, whilst ensuring returns are fairly distributed.
 - 8. Learn from others** – Adopt best practices, learning from innovators such as Greater Manchester and beyond.

Conclusion

The Midlands region has significant investment potential, and this report serves as a starting point for an ongoing conversation about how to unlock sustainable prosperity through place-based investment. The region already possesses the foundational elements needed to succeed. A place-based approach can help to address the region's economic, social and environmental challenges – but this needs to be driven intentionally. Collaboration will be key. Successful PBII requires an ecosystem and by learning from other successful examples stakeholders can collectively achieve transformative growth.

1. Introduction

1.1. Context

This White Paper was commissioned by the *Midlands Engine* to provide insights and recommendations on attracting large-scale, long-term, socially responsible private investment to help deliver prosperity for all people and places in the region. It has been researched and written by *The Good Economy (TGE)*, a specialist impact advisory firm, building on its influential work on Place-Based Impact Investing (PBII), including with local government pension schemes (LGPS). The report includes a focus on lessons learned from the Greater Manchester region, where there was early devolution, and the Greater Manchester Pension Fund (GMPF) has played a pivotal role as a place-based investor. GMPF's collaboration with the Greater Manchester Combined Authority (GMCA) has successfully contributed to economic growth in that region.

This topic is both timely and relevant. The UK faces significant economic, social, and environmental challenges: productivity is stagnating, many areas are grappling with entrenched poverty and social inequality, and there is a pressing need to transition to a greener economy and meet net zero targets. PBII, which prioritises intentionality to achieve positive local economic, social, and environmental outcomes and public-private sector collaboration, can play an important role in addressing these challenges.

This report also comes during a period of extensive government policy and institutional reform. In December 2024, the government published its Devolution White Paper, which positions England's regions at the heart of its "Plan for Change" missions to grow the economy, deliver new housing and infrastructure, and boost opportunity nationwide. Key initiatives include granting more devolved powers to local government, implementing strategic planning reforms, and developing local growth plans. At the same time, the government is proposing large-scale reforms to the pension system, including further LGPS consolidation to increase investments in infrastructure projects, high-growth businesses, and local initiatives.

Given this context and state of flux, this report aims to cut through institutional complexity and uncertainty by focusing on the underlying fundamentals – from both a place-based and investment perspective.

1.2. Purpose and Audience

The purpose of this report is to support the Midlands Engine and its stakeholders – including the region's two Combined Authorities (West and East Midlands), local authorities, businesses, and universities – in attracting greater levels of long-term private capital and pension fund investment to drive the region's growth and competitiveness. It aligns with the Midlands Growth Story, which provides a shared narrative, evidence base, and case studies that highlight the Midlands as a region with immense economic potential and position it as a globally competitive area. A key focus of the Growth Story is identifying strategies to attract private investment in infrastructure, housing and real estate, businesses, and innovation to fuel future growth.

While reading this paper, there is an important distinction to keep in mind between institutional and inward investment:

- *Institutional Investment* refers to funds invested by large entities such as pension funds, insurance companies, and investment firms. It typically targets assets like real estate, infrastructure, or businesses within a region to generate long-term returns for investors.
- *Inward Investment* involves capital inflows from external sources, often foreign companies or investors, into a region. It may include setting up new operations, acquisitions, or joint ventures, and is often aimed at creating jobs, boosting local industries, or enhancing regional infrastructure.

Our primary focus here is on institutional investment as this is most aligned with the objectives of Local Government Pension Scheme (LGPS) and other pension funds, although we also emphasise the critical role institutional investment plays as an enabler of inward investment.

It is also important to recognise upfront that investment in any form (whether public, commercial or institutional) will not be enough on its own to address the opportunities and challenges facing the Midlands, or any other region. Other areas such as policy and regulation (which are only alluded to briefly in this report) also have an important role to play.

The primary audience for this White Paper includes the region's public sector and business stakeholders, as well as pension funds and investors interested in opportunities in the Midlands. Although focused on the Midlands, this report is also relevant to audiences in other regions facing similar investment challenges, as well as to central government policymakers.

Our approach to this study has been collaborative and consultative throughout. The TGE research team worked closely with the Midlands Engine team and Mike Weston, former Chief Executive of LGPS Central, which manages the pooled assets of eight Midlands-based LGPS funds. In preparing this report, TGE conducted over 30 in-depth interviews, facilitated six workshops, and carried out a survey of local government bodies in the region to understand their experiences with and demand for private investment.



1.3. Report Structure

The remainder of this document is structured as follows:

- *Section 2. The Midlands Investment Opportunity* sets out the size and shape of the investment opportunity in the Midlands, including an assessment of the economic, social and environmental outcomes it could help contribute towards
- *Section 3. Place-Based Impact Investing* makes the case for place-based investment as framework for enabling this investment
- *Section 4. The Opportunity for PBII in the Midlands* shares the views of a range of stakeholders we consulted on the key ingredients needed to enable greater investment in the Midlands that delivers on positive outcomes for local people and places
- *Section 5. Applying PBII in the Midlands* outlines how this model might work practice in the region including a review of which building blocks the Midlands already has in place, and where it needs to focus to become more investment-ready
- *Section 6. Ecosystem Actions* sets out recommendations for key stakeholders across the funding ecosystem

The appendices contain the following:

- Appendix 1 – a list of stakeholders we interviewed in preparing this report
- Appendix 2 – a list of sources used to inform our work
- Appendix 3 – Midlands population and economy by sub-region
- Appendix 4 – Investment need by asset class for the Midlands and the UK as a whole

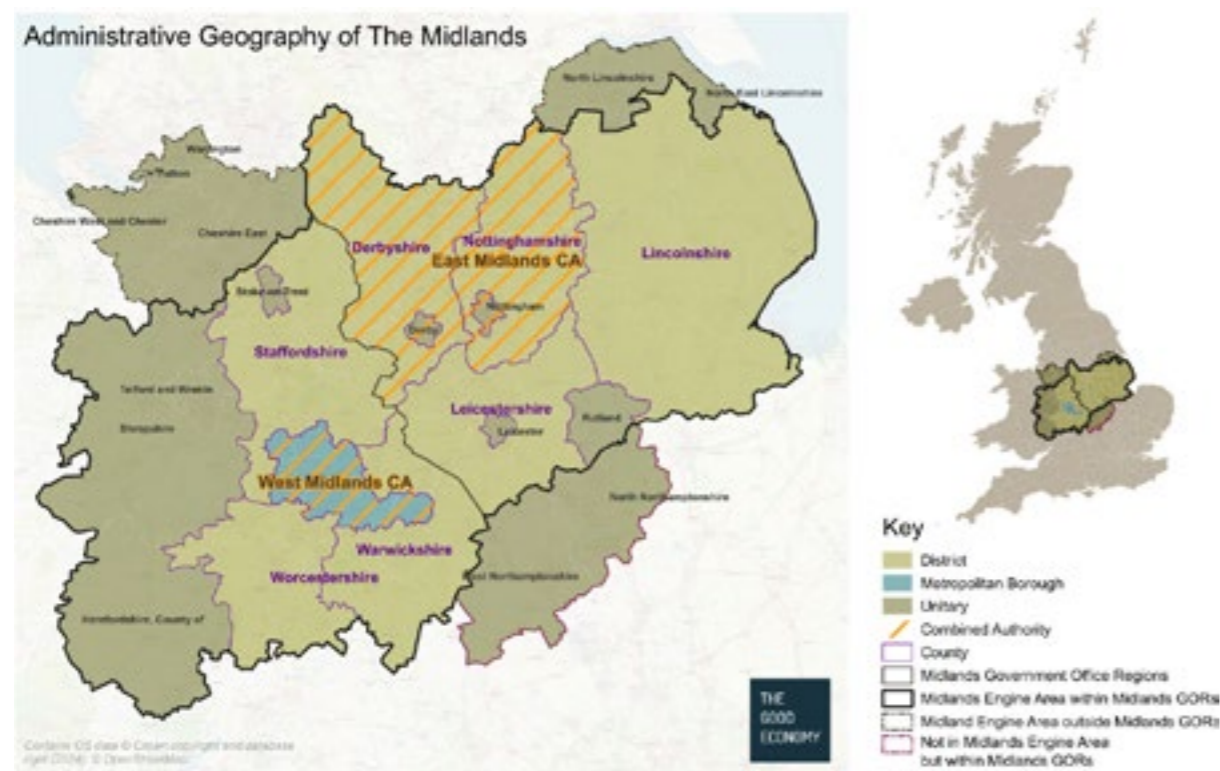
2. The Midlands Investment Opportunity

This section sets out the opportunity for greater institutional investment in the Midlands and how this could contribute to the wider economic, social and environmental goals of the region. In preparing this overview, we have drawn extensively on the work of the Midlands Engine Observatory and the Midlands Engine, in particular the Midlands Growth Story published in December 2024².

2.1. Geography and Economic History

The Midlands sits at the heart of the UK, bridging North and South, and is the largest regional economy outside of London and the South East³. Its central location makes it a hub for trade, logistics and connectivity, while the population of 11 million is larger than Scotland, Wales and Northern Ireland combined. Figure 3 below shows the current administrative geography of the Midlands.

Figure 3: Administrative Geography of the Midlands⁴



The Midlands is characterised by a mix of urban and rural areas with lots of intra-regional diversity. Investment must be tailored to the needs and opportunities of specific places.

2. Midlands Engine, 2024. [Midlands Growth Story](#)
 3. Midlands Engine, 2024. [Midlands Growth Story](#)
 4. We have included Cheshire in our geographic scope for the purposes of this exercise. Whilst not formally part of the Midlands, or covered by the Midlands Engine, the Cheshire fund is a member of LGPS Central and have expressed interest in local investment.

For the past decade, the Midlands Engine has represented and convened the multiple counties and urban areas of the Midlands through a pan-regional partnership. Across the region, the pattern of devolution has been very varied to date. The West Midlands Combined Authority (WMCA) is the most mature, established in 2016 and benefiting from a trailblazing financial settlement from central government. East Midlands County Combined Authority (EMCCA), by contrast, was only established in 2024, and the Greater Lincolnshire Combined County Authority will be established in May 2025. Other parts of the region, including Leicestershire, Worcestershire and Staffordshire, have largely been excluded from the devolution conversation to date. This means that significant urban areas within the region such as Leicester and Stoke-on-Trent have not had growth commissions and are at risk of missing out in the opportunities presented by the government's emerging Industrial Strategy. We will return to this point in Section 05 where we consider what is needed to enable the Midlands to be investment-ready.

The economic history of the UK Midlands is marked by a dynamic transformation from agricultural roots to industrial prominence and modern economic diversification. During the Industrial Revolution, the Midlands emerged as a powerhouse of manufacturing and innovation, with Birmingham gaining fame as the "Workshop of the World" for its metalworking and engineering industries, while cities like Coventry and Wolverhampton thrived in automotive and aerospace production. The region also played a pivotal role in coal mining and textiles, particularly in areas like Nottingham and Leicester.

Post-war industrial decline in the mid-20th century led to economic restructuring, with the rise of service industries, advanced manufacturing, and logistics hubs leveraging the Midlands' central location and extensive transport networks.

2.2. What Outcomes Can Investment Help Achieve in the Midlands?

Investment in a place will not automatically benefit local communities; to do so it must be consciously aligned with the outcomes those communities need. Here, we briefly set out the main economic, social and environmental outcomes that communities across the Midlands are seeking to achieve for which investment is needed, whilst recognising that investment alone (even if well-targeted) will not deliver these outcomes on its own.

In doing so we recognise that Local Growth Plans, which will represent the formal articulation of local aspiration across much of the region, are currently under development. Once completed, these should form a key reference point for investors and other stakeholders seeking to understand how their interventions can contribute to local goals and the nature of priority projects. In the meantime, we have sought to focus on underlying indicators of need and opportunity that are likely to be representative of the sort of outcomes the completed Local Growth Plans might be expected to seek.

2.3. Economic Outcomes

The Midlands Growth Story

Published in December 2024, the Midlands Growth Story⁵ aims to serve as a framework for policy and investment decision-makers at local, regional, national and international levels. It offers a unified narrative that showcases the region's potential and invites collaboration from across sectors.

The primary aim of the Midlands Growth Story is to support the development of Local Growth Plans and partner strategies. The narrative is intended to enable stakeholders to see how they fit into the larger picture, guiding the development of their own strategies within the context of regional and national goals. The Midlands Growth Story defines economic success for the region in the following terms:

- Closing the £97bn output gap with the rest of England and increasing productivity across key industries.

5. Midlands Engine, 2024. [Midlands Growth Story](#).

- Developing a skilled and inclusive workforce ready for the challenges of a green, digital economy and addressing the current shortfall in qualifications with the rest of England.
- Investing in infrastructure that supports sustainable economic growth and resilience and redressing the decades of underinvestment in infrastructure to the Midlands compared to rest of England and leveraging increased private sector investment.
- Attracting significant levels of domestic and foreign direct investment – on a par with rest of England to ensure long-term competitiveness and inclusive growth that benefits all Midlands people and places.
- Fostering innovation across industries, particularly in green growth, health technologies, and advanced manufacturing and increasing R&D investment to national average levels.

The Midlands Growth Story identifies six Priority Opportunity Sectors, each of which is driven through innovation and attracting investment into targeted business clusters:

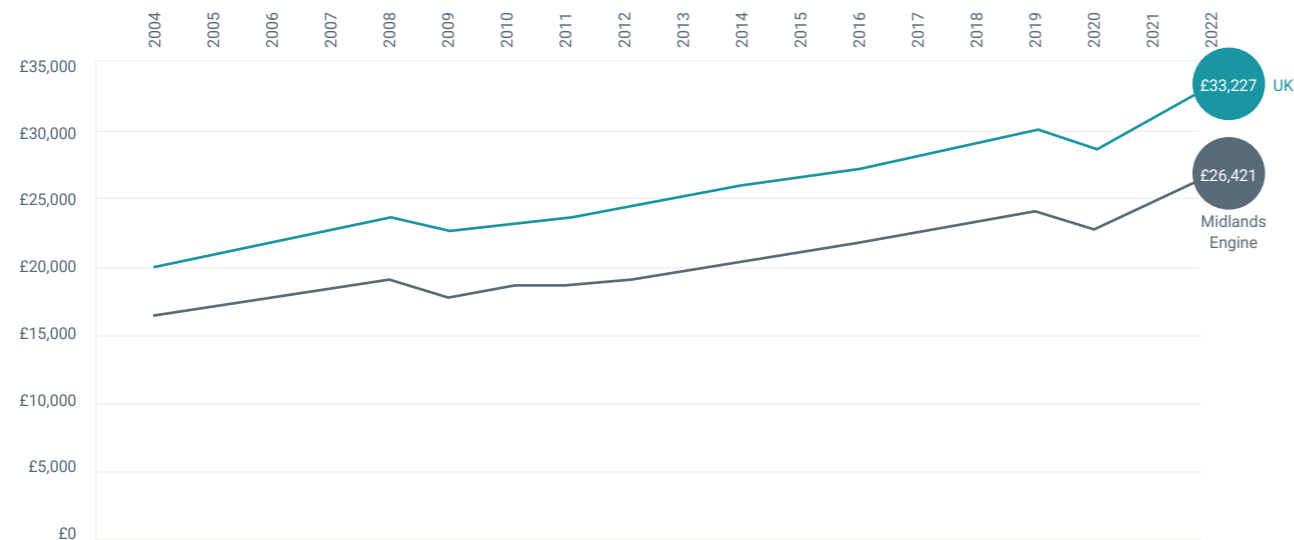
1. Advanced manufacturing
2. Transport technologies
3. Digital technologies
4. Energy & materials
5. Health & life sciences
6. Agri-food

Addressing the Output and Productivity Gaps

Regional differences in productivity have been increasing for the last 35 years within the UK, with implications for intra-regional spatial inequalities.⁶ For East and West Midlands, productivity was respectively 13.3% and 11.1% behind the UK average. Across the Midlands, productivity is 94% of the England-minus-London average, or 82% compared to the rest of England including London.⁷ The region faces challenges around missed opportunities in linking local firms to inward investors, connectivity between cities in the region and complex institutional arrangements.

A 2023 Centre for Cities report highlights how urban economies within the Midlands are not achieving their 'productivity potential', with Birmingham and Nottingham urban areas experiencing the largest gap between actual output and potential productivity.⁸ The underperformance of cities has impacts on the rest of the region in terms of not only economic outcomes but also living standards.

Figure 4: The Midlands Engine productivity gap: GVA per head⁹



6. The Productivity Institute, 2023. [The Productivity Agenda: A blueprint for how the public and private sector can be better equipped to translate productivity gains into improved living standards.](#)
 7. Driffield, N., 2022. [The Midlands' Productivity Challenge: Exploring the Issues.](#)
 8. Centre for Cities, 2023. [The role of the Midlands Engine in the British economy.](#)
 9. Midlands Growth Story, 2024. [Midlands Growth Story](#)

Skills and Employment

The key growth sectors identified in the Midlands Growth Story will require a highly skilled workforce to achieve their potential. At the same time, the Midlands has a high need for more job opportunities that meet the skill levels of local residents.

Unemployment levels are some of the highest in the UK, with East and West Midlands having unemployment rates of 5.6 and 5.1 in April 2024, respectively, compared to a UK average of 4.4.

While the Midlands has a deep and prestigious university ecosystem, it also has a higher share of residents without qualifications, and a lower share of graduates, compared to the UK as a whole.¹⁰

Higher education levels in the region are mixed and tend to fall below the UK average. The Hereford, Worcestershire and Warwickshire regions have the highest levels of higher education at 35.5%.

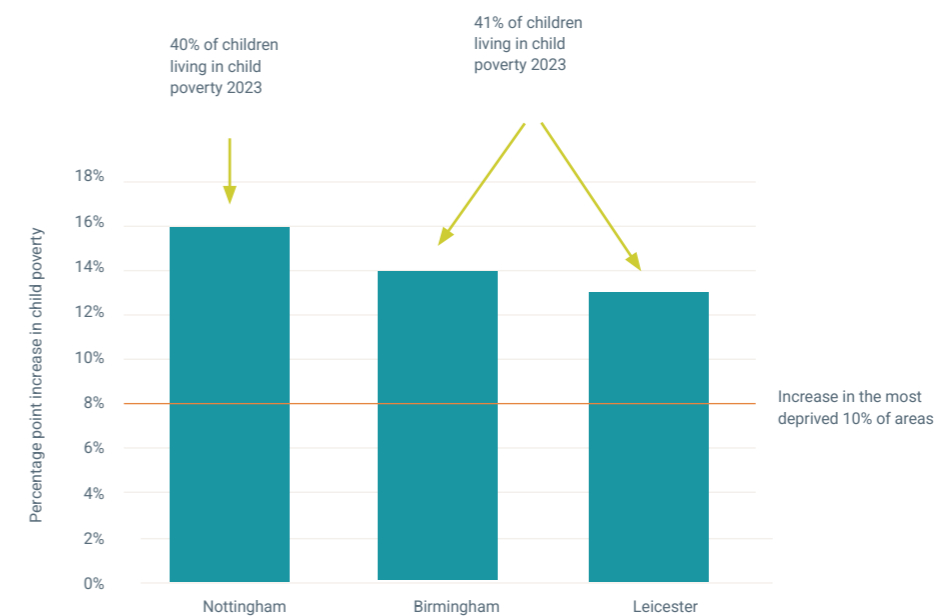
2.4. Social Outcomes

Poverty and Social Inequality

The Midlands currently experiences disparities across some key socioeconomic and wellbeing outcomes. Social outcomes cover many areas and a range of metrics – here we focus on child poverty as a key indicator.

While there is variation in poverty levels within the region, the Midlands faces challenges compared to the UK average, particularly in terms of child poverty and the concentration of deprivation in urban areas. The West Midlands and London both experience the highest rates of poverty (27%) out of the English regions, with the East Midlands just below average at 22%.¹¹ Child poverty has increased disproportionately in the Midlands compared to the rest of the UK: 19 of the 20 local authorities in the UK that saw the highest increase in child poverty between 2014/15 and 2022/23 were in the West Midlands, East Midlands, and North West.

Figure 5: Increase in children living in child poverty from 2014/15 to 2022/23¹²



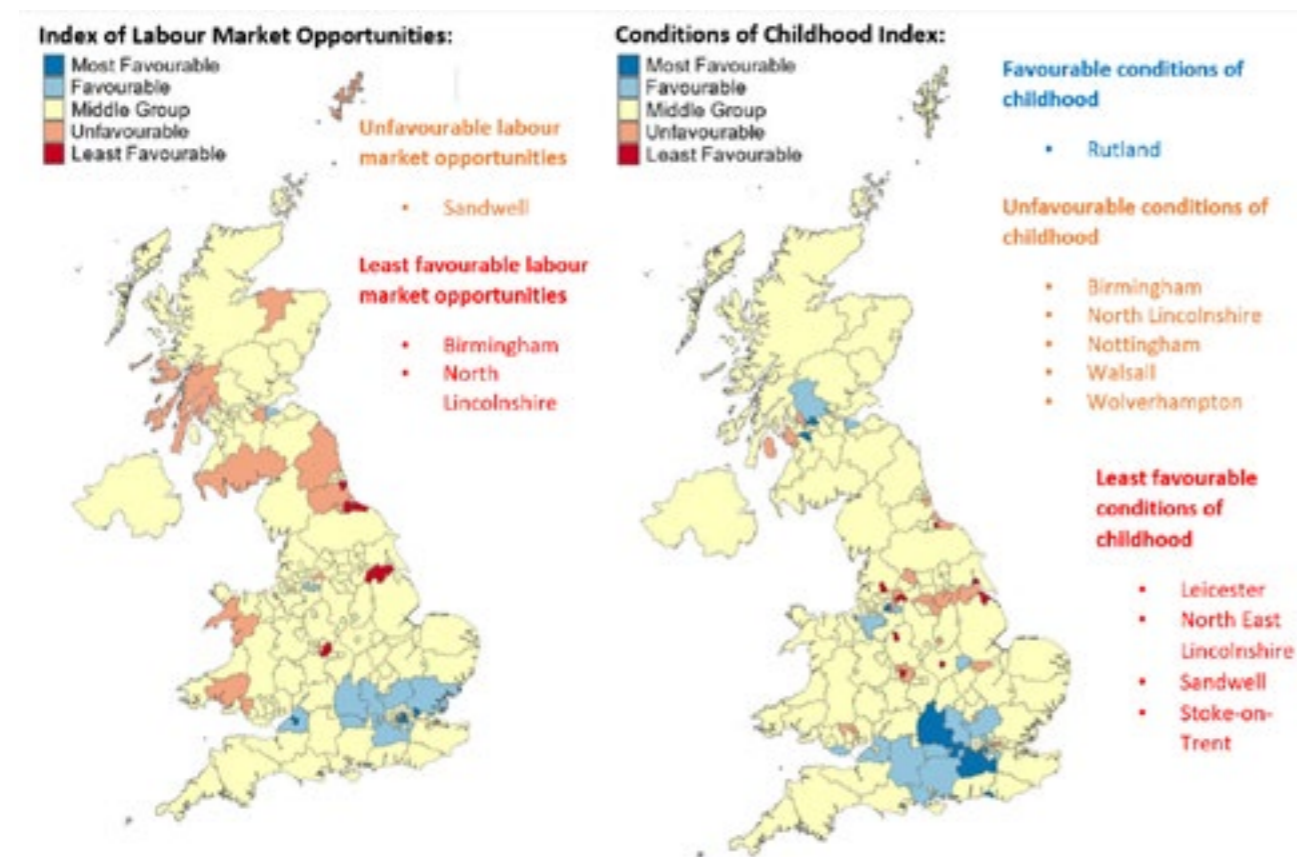
10. Centre for Cities, 2023. [The role of the Midlands Engine in the British Economy.](#)
 11. Social Metrics Commission, November 2024. [Measuring Poverty 2024](#)
 12. New Economics Foundation, March 2024. [Child poverty rises six times faster in most deprived areas compared to the richest](#)

Intra-Regional Inequality

As well as underperforming the UK as a region by several key measures, it is important to note that there is significant intra-regional inequality of outcomes with the Midlands. The Social Mobility Commission has developed new composite indices of intermediate outcomes (mobility outcomes earlier in life), and drivers (the enablers of mobility). Across the three composite indices of drivers (conditions of childhood, labour market opportunities and innovation and growth), the Midlands scored unfavourable 10 times and favourable in only 1¹³.

The maps below show two of these indices: the index of labour market opportunities and conditions of childhood index, with areas in the Midlands Engine area highlighted.

Figure 6: Labour market opportunities and social mobility¹⁴



2.5. Environmental Outcomes

Net Zero

The Midlands has emerged as a pivotal region in driving the UK's transition to net zero, with an array of strategies and partnerships underpinning its ambitions. The region accounts for one in four of England's energy and low-carbon jobs and has seen low-carbon GVA growth at five times the UK average since 2010¹⁵. Central to these efforts is the Midlands Net Zero Hub, one of five across England. The region is already a leader in clean energy. It is home to three of the 20 clean energy hotspots in the UK, and many areas have well defined net zero targets. Continuing investment into this area will not only benefit the local economy but further the Midlands role as key contributor to the national transition to using less and cleaner energy.

In addition, the West Midlands Combined Authority (WMCA) has positioned itself as a leader in the Green Industrial Revolution, aiming to achieve a net zero carbon economy by 2041. Already, the region's low-carbon sector contributes £12 billion to the local economy and employs over 97,000 people. An additional 90,000 green jobs are projected to be created over the next 20 years, demonstrating the region's potential to significantly boost employment in sustainable industries.

However, achieving its net zero targets will require significant investment, with retrofitting needs estimated to require £24.4 billion for the West Midlands alone¹⁶. To facilitate this, WMCA has initiated Energy Capital – a regional energy partnership that brings the public, private and third-party sectors together to deliver place-based energy solutions through innovation and implementation.

To facilitate green growth across the region, the Midlands Engine has laid out a Ten Point Plan for Green Growth focusing on key areas such as net zero transport, green buildings, and clean, smart energy. This plan is supported by critical enablers including green innovation, workforce development, and green finance. Central to these ambitions is the vision to establish the Midlands as the UK's first Smart Energy Region. Achieving this status is expected to deliver savings of £68 billion in energy costs, generate £1.5 billion in additional GVA, and cut CO₂ emissions by 106,000 kt. Significantly, it promises to create or support 7,000 jobs each year and unlock £600 million in export opportunities.

Natural capital and biodiversity¹⁷

Investing in natural capital and biodiversity across the Midlands presents a powerful opportunity to drive both environmental and economic gains. Recent research shows that nature-based solutions can generate 3.7 times as many jobs as fossil fuel investments, highlighting their potential to boost employment while restoring ecosystems. The introduction of Biodiversity Net Gain (BNG) as a planning requirement for development has also made investment in natural capital a prerequisite for wider investment in regeneration. Through mechanisms like the West Midlands Local Investment in Natural Capital (LINC) programme and the forthcoming Natural Capital Investment Plan, the region is aggregating smaller-scale projects into investment offerings with the scale to attract private finance. Effectively, natural capital is emerging as a sector which requires a regional strategic approach.

The WMCA alone has identified 200 environmental projects covering 46,000 hectares, with the potential to unlock £100 million in private investment. Further initiatives, such as the Midlands Forest Network, Midlands Nature and Biodiversity Net Gain requirements, offer additional investment routes to enhance habitats and increase resilience against climate change. Moreover, evidence indicating a £34 return in societal benefits for every £1 spent on public parks reinforces the strong case for prioritising green infrastructure, ultimately creating healthier, more vibrant communities.

13. Social Mobility Commission, 2024. [State of the Nation 2024: Local to National Mapping Opportunities for All](#)

14. Midlands Engine, 2024. [Midlands Growth Story](#)

15. Midlands Engine, 2021. [Ten Point Plan for Green Growth in the Midlands Engine](#)

16. West Midlands Combined Authority, 2022. [West Midlands Levelling Up Growth Prospectus](#)

17. West Midlands Combined Authority, 2024. [Local Investment in Natural Capital](#)

2.6. How Investment Can Support Desired Outcomes

To achieve the range of outcomes outlined above, significant investment will be needed – alongside other interventions. Different types of investment would be expected to contribute differently to various desired outcomes. Figure 7 below indicates illustrative examples of this.

Figure 7: typical non-financial outcomes sought from different investment areas

Investment areas	Economic outcomes	Social outcomes	Environmental outcomes
Housing	Providing places for workers to live	Wellbeing benefits from good homes and increased access to economic opportunities through geographic proximity	Reduced emissions through retrofit and low carbon new builds
Regeneration -Commercial Real Estate	Enabling greater business activity	Providing good jobs; stimulating demand for amenities	Decarbonising offices
Infrastructure	Transport: Facilitating commuting Digital: Broadening business types and efficiency, enabling remote working Waste and Water: Upgrades support business activity	Increases the wellbeing of local residents through more job opportunities, digital inclusion and lower pollution	Transition to low carbon transport and enabling remote working
Clean Energy	Enabling new business activity and workforce housing through grid connections	Reducing energy bills to increase household prosperity; grid connections and local energy generation enable housebuilding and business formation	Grid decarbonisation
SME Finance	Supporting business growth and enabling high-value start-up businesses	Access to broader job opportunities and increase income prospects	Investment in net zero, creating the capacity to deliver it
Natural Capital	Enables real estate development through Biodiversity Net Gain	Health and wellbeing benefits of access to nature	Carbon and air pollution mitigation; increased resilience and adaptation e.g. flood mitigation

Below we indicate the scale of potential investment opportunities across the Midlands Engine region for each of these investment areas.

2.7. Investment Needed

This section outlines the scale of investment needed to deliver the outcomes described in the previous section. The focus is on housing, infrastructure and other real asset investments that generally align with the long-term, patient capital provided by LGPS funds and similar investors, as opposed to inward investment characterised by companies choosing to locate productive facilities within a particular region. Nevertheless, there is a strong interdependency between these two types of investment – a theme revisited in Section 3 below.

Housing

The government has set an ambition to deliver 1.5 million new homes nationally over the next five years. As part of proposed changes to the National Planning Policy Framework (NPPF), it has introduced revised annual housing targets for all local authorities in England. Figure 7 below shows the new targets summarised for the Midlands. Overall, there is a 37% increase compared with the previous target, although there is significant variation across the region: Coventry's target has been reduced by 50%, while Tamworth's has increased by 261%.

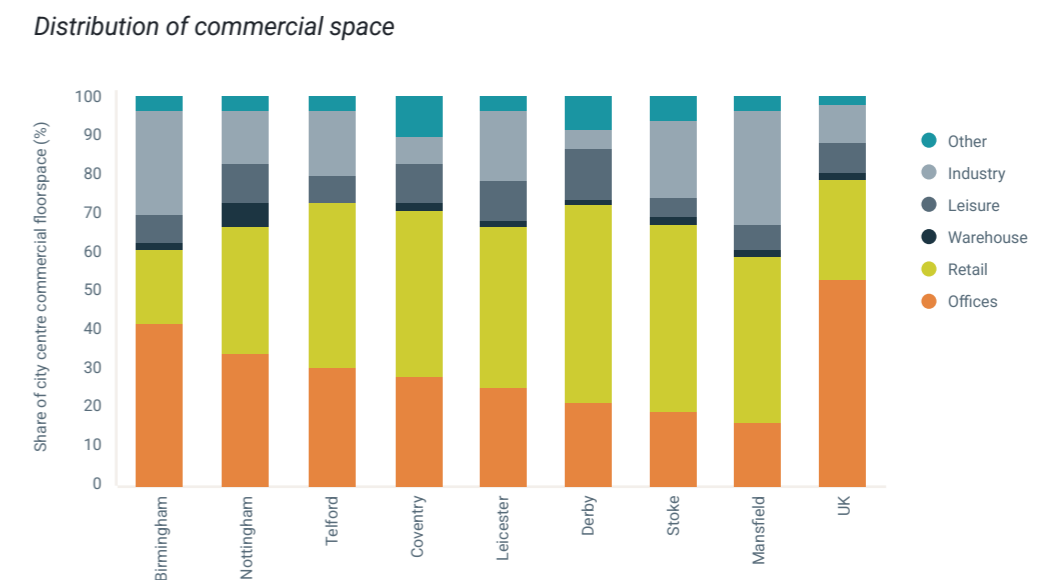
Figure 8: Annual housing targets for the Midlands

Region	Previous method	New method	Difference
East Midlands	19,739	27,382	39%
West Midlands	23,542	31,753	35%
All Midlands	43,281	59,135	37%

Urban Regeneration

Office space is a key enabler of higher value economic activity (compared, for example, with retail space). With the exception of Birmingham, urban centres across the Midlands have significantly lower levels of office floorspace than the UK average. This indicates significant opportunity to improve the productive potential of urban centres across the Midlands through investment in urban regeneration to accommodate more productive use of space.

Figure 9: Distribution of commercial space¹⁸



18. Centre for Cities, 2023. [All cylinders - The role of the Midlands Engine in the British economy](#)

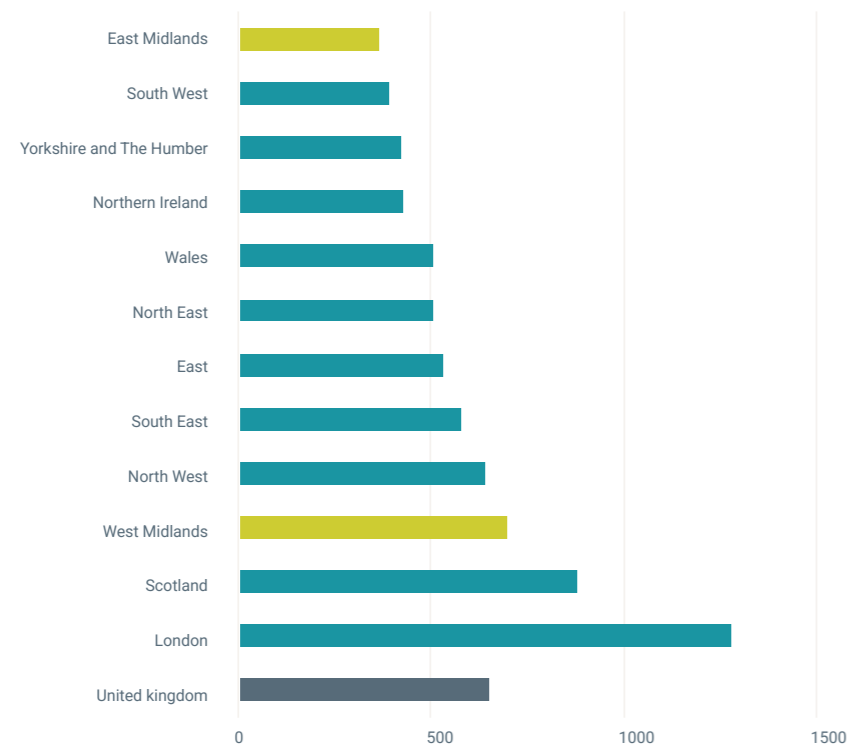
Transport Infrastructure

Transport infrastructure in the Midlands plays a critical role both in underpinning regional prosperity and in supporting the national economy, with its geographic position making it a key hub for logistics as well as a transport corridor between the economies of the south and north of the UK.

In terms of transport investment per capita, the West Midlands performs well relative to the UK average (although this may be flattered by the performance of Birmingham), whereas the East Midlands is the most under-invested region on this metric.

Figure 10: expenditure on transport per capita¹⁹

Identifiable expenditure on transport per capita in the United Kingdom in 2022/23 by region (in GBP)



Transport connectivity within urban centres is a key enabler of prosperity, as it enables workers to access a broader range of employment opportunities. As Figure 11 below shows, Birmingham has the highest level of projected employment growth but the poorest public transport connections of the cities shown. Conversely Leicester has relatively good connectivity but low projected jobs growth – suggesting the nature of the challenge varies considerably across the region.

Figure 11: Public Transport connectivity and projected city centre employment growth up to 2055 in the 15 largest regional English cities²⁰

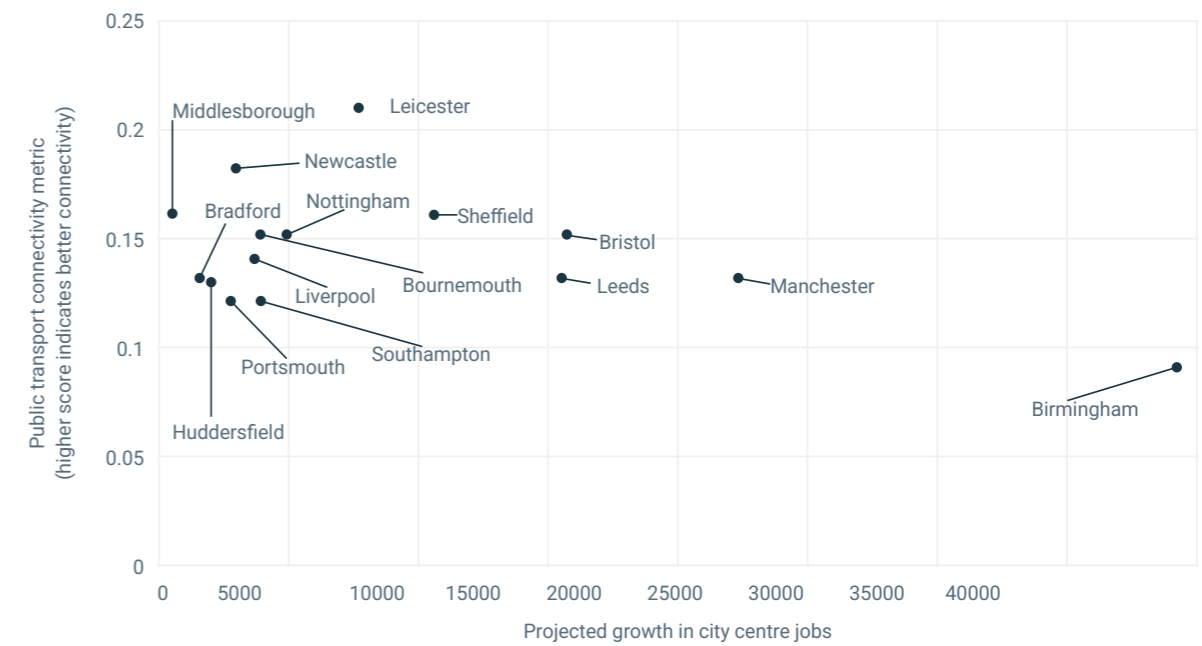
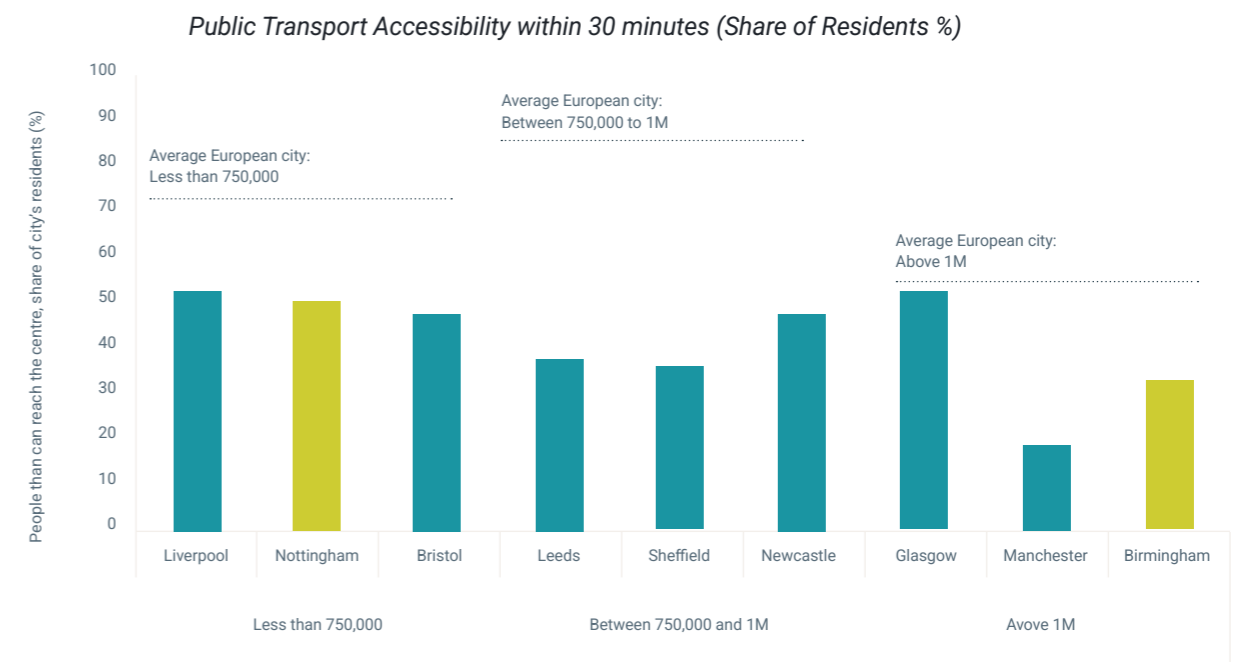


Figure 12 shows that Birmingham and Nottingham, along with most other large UK cities, have poor public transport connectivity compared with European peers.

Figure 12: All large British cities, except Glasgow, have worse public transport accessibility than their European peers²¹



19. Gov.uk and HM Treasury via Midlands Connect (United Kingdom ; April 1, 2022 to March 31, 2023)

20. National Infrastructure Commission, 2023. [National Infrastructure Assessment](#)

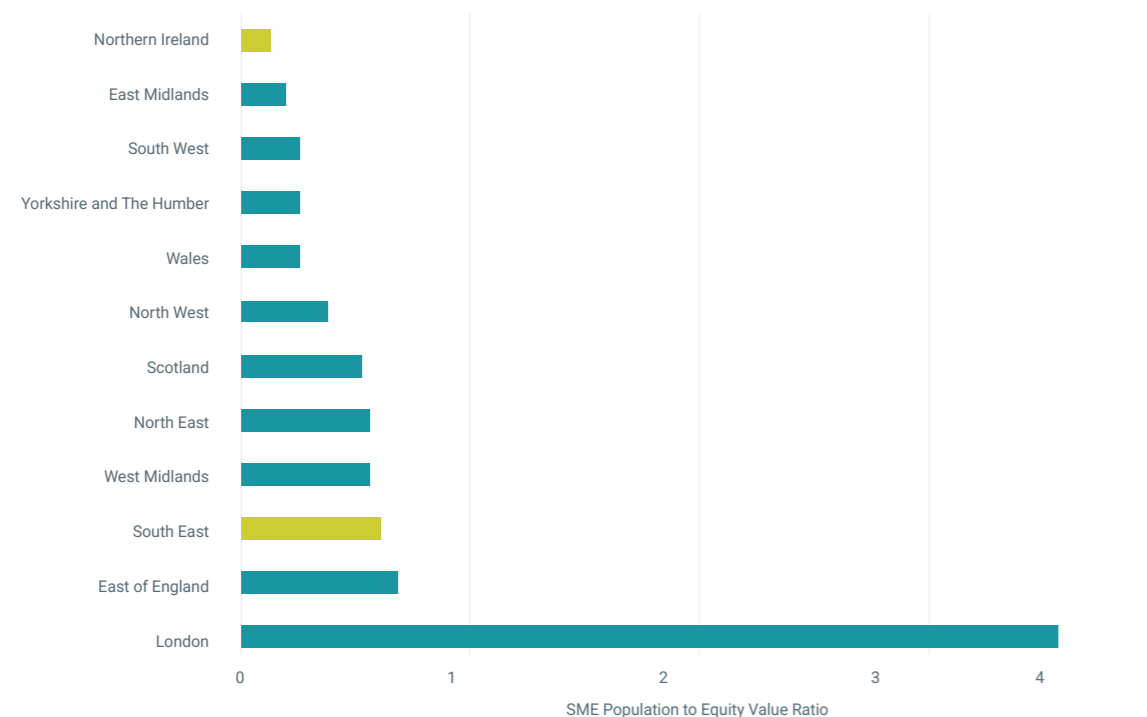
21. Centre for Cities, 2021. [Measuring up: Comparing public transport in the UK and Europe's biggest cities](#)

SME Finance

As noted above, the Midlands boasts strengths in several future-facing industrial sectors grouped within geographic clusters. A key enabler of growth in these sectors is a thriving SME ecosystem. For example, Midlands Mindforge is a purpose-built vehicle co-founded by eight research-intensive universities in the region which aims to ensure that businesses born in the Midlands can stay and flourish in the region.

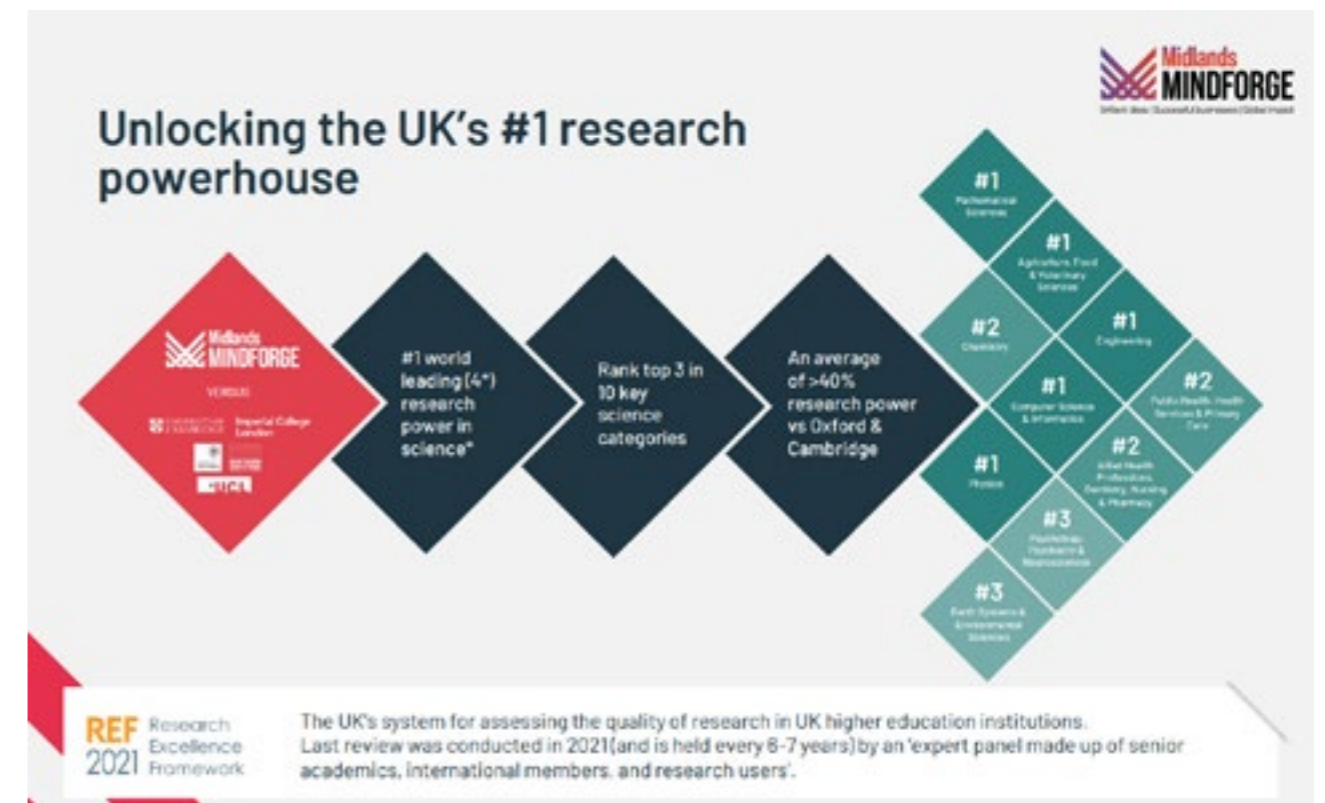
All regions of the UK significantly underperform London in terms of equity invested per SME. As shown in Figure 13 below, the West Midlands as a whole does relatively well against this background, while the East Midlands performs badly and is only underperformed by Northern Ireland.

Figure 13: SME equity deals and value by region and nation, 2020²²



Alongside this, the Midlands is host to several world-class, research-led universities which between them generate a significant number of spinout businesses as Figure 14 shows.

Figure 14: Midlands Universities' research rankings²³



However, the Midlands has not seen this potential translate into the level of business vibrancy achieved by comparable research ecosystems elsewhere. Many of these spinouts are acquired by overseas investors early in their growth journey, with a significant rise in international investment in UK spinouts since 2021. Only 62% of Midlands university spinouts are founded in the region²⁴ (the lowest figure of any region), seemingly as the result of a myriad of factors including the involvement of other institutions in development, and relocation for proximity to facilities, talent or supply chain. Around 40% of equity deals in UK spinouts now have the participation of international investors, with the United States providing by far the most funding and acquisitions.²⁵ This results in most of the value created by regional spinouts being lost to the Midlands and UK plc.

Despite hosting 11% of all UK high-growth SME businesses and securing 13% of Research England grants for quality-related research, the region has only achieved 5% of UK equity finance deals by both number and value and has seen a 6.3x funding gap for spinouts relative to the Golden Triangle²⁶.

22. Treasury Committee, 2023. [House of Commons Committee Report: Venture Capital](#)

23. Midlands Mindforge analysis of Research Excellence Framework 2021 rankings

24. Midlands Engine & Dealroom, January 2025

25. Beauhurst, 2022. [Equity Investment into UK Spinouts](#).

26. British Business Bank analysis of Beauhurst, ONS and BEIS data. UK Research & Innovation. KEF data

2.8. Summary

The Midlands is a region with a rich and diverse heritage and a critical position in the geography of the UK. It has a strong asset base to draw on with strengths in key sectors with future growth potential. However, it currently underperforms the UK average on key measures for economic productivity, social inclusion and poverty. It is in a strong position to address the challenge of net zero, but there is much still to be done.

Whilst the Midlands does not currently have an overarching articulation of the economic, social and environmental outcomes it is seeking to achieve from investment, it has clear ambitions to grow its economy through investment in emerging sectors where it has strengths and close the productivity gap with the rest of the UK.

To achieve this ambition, significant and co-ordinated investment will be needed in several areas. In the next section we argue that the Place-Based Impact Investing (PBII) model provides a good framework through which to address this challenge, before going on in Sections 4 and 5 to set out in broad terms how this might be done given the particular conditions of the Midlands.



3. Place-Based Impact Investing (PBII)

3.1. Overview

This section provides an overview of the PBII model as a framework for scaling up institutional investment to support regional and local growth plans. We present a case study including lessons learned from the Greater Manchester region, which benefited from early devolution and has implemented a successful place-based regional investment strategy through the Greater Manchester Pension Fund (GMPF) over the past 25 years.

It is important to note that this paper is written during a period of significant policy and institutional reform affecting both pensions and local government. In July 2024, the government initiated a landmark Pensions Review of the Local Government Pension Scheme (LGPS) in England and Wales, as well as workplace-defined contribution (DC) pension schemes. The review has two main objectives; enhancing pension outcomes and increasing investment in the UK. Its proposed reforms focus on two key areas:

1. *Consolidation:* The review proposes merging LGPS and DC schemes into larger “megafunds” to leverage economies of scale and professional investment management expertise. These megafunds aim to enable investments in large-scale infrastructure projects and high-growth businesses.
2. *Local Investment:* Administering authorities are encouraged to collaborate directly with devolved authorities to unlock over £20 billion in local investment by each LGPS. While administering authorities will continue to set investment objectives and strategies, the pooled funds are expected to assume responsibility for managing local investments.

Currently, local investing lacks standardisation across the UK’s LGPS administering authorities, with varying interest levels and definitions of “local” (pension fund area vs regional vs UK-wide). Only a small number of LGPS schemes have adopted intentional local investment strategies, notably the Greater Manchester Pension Fund and South Yorkshire Pension Authority. At the pool level, in-house knowledge and investment management capabilities for local investment are currently limited. However, it is anticipated that these capacities will need to be developed rapidly to meet the demands of the government’s reform agenda.

At the same time, the government has embarked on a broader local government reform agenda aimed at permanently shifting power from Whitehall to accountable local and regional governments. This devolution is being combined with strategic planning reforms and consolidated budgets across key areas such as housing, regeneration, local growth, transport, skills, retrofitting, and employment support. An overview of the status of devolution in the Midlands region is provided in Section 2.

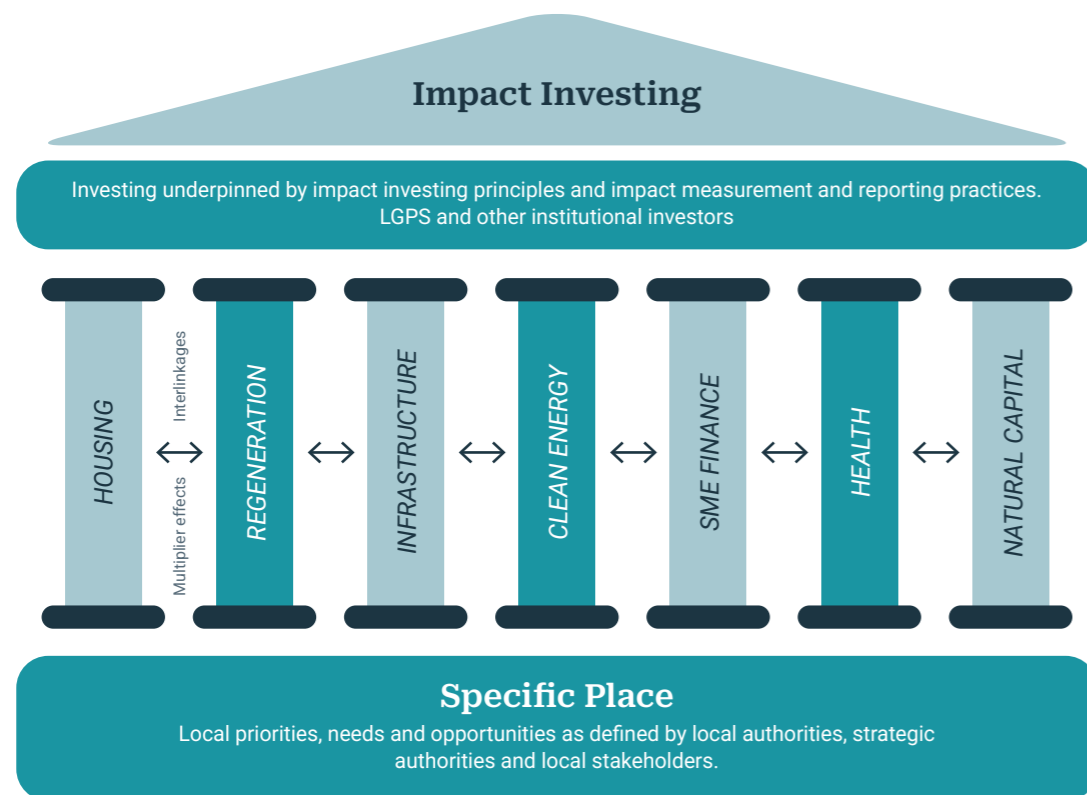
Ultimately, scaling up Place-Based Impact Investing will require institutional and commercial pathways that are both clear and well-resourced to connect capital to communities. Hence, these reforms are crucial for ensuring effective implementation on both the pension and local government sides.

3.2. The PBII model

Place-Based Impact Investing (PBII) is about catalysing and shaping the market for investment that delivers real benefits for local people and places, in collaboration with others, by facilitating a constructive dialogue between stakeholders across sectors focused on connecting capital with place. We should have one question in mind - how do we connect capital to communities in ways that put sustainable prosperity within reach of everyone?

The conceptual model for PBII was described in the seminal 2021 white paper "Scaling Up Institutional Capital for Place-Based Impact"²⁷ published by The Good Economy with the Impact Investing Institute and Pensions for Purpose. PBII was defined as investment made with the intention to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity, and sustainable development based on the pillars of impact investing (see Figure 15). These pillars represent asset class categories as used by institutional investors, as well as place-based policy priority areas.

Figure 15: The Architecture of Place-Based Investment



PBII is about investing in a way that responds to locally identified needs and priorities, involves collaboration with local stakeholders and listening to community voice and is intentional about maximising benefits for local people and place and having a fair sharing of financial risk and reward. Four traits characterise this model and define best practice in terms of place and impact:

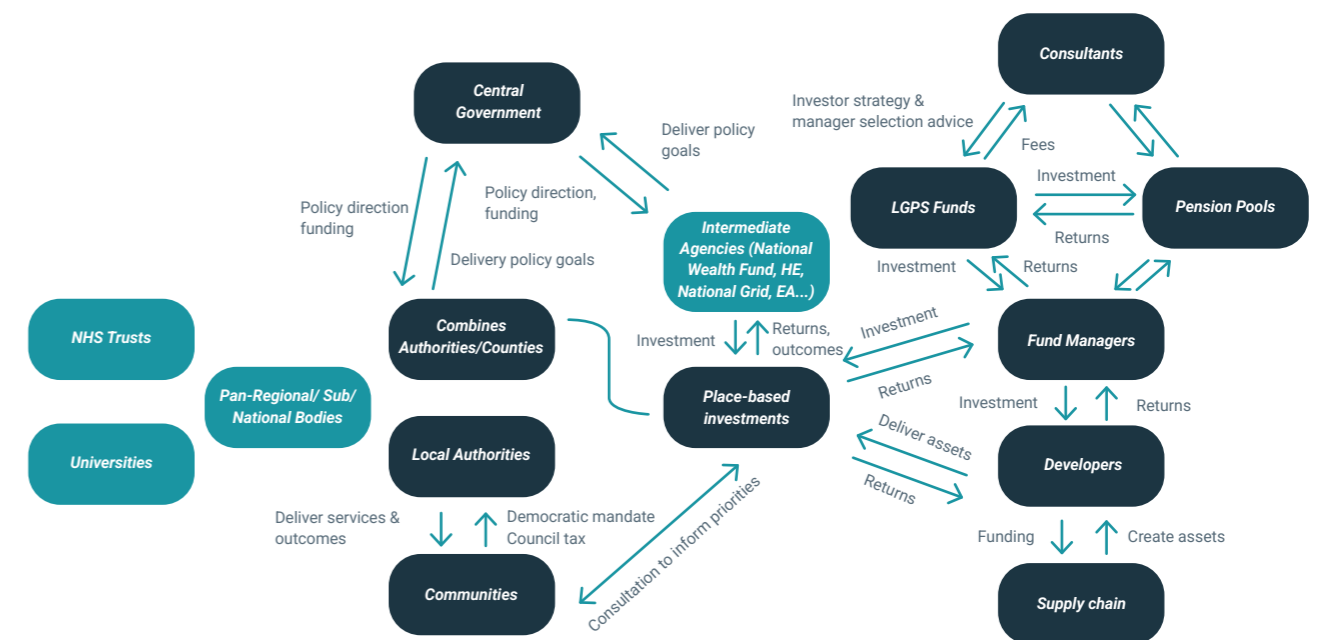
Figure 16: PBII Traits

Place	Defining Place and Understanding Local Priorities	Collaboration and Stakeholder Engagement
Impact	Intentionality to Create Positive Impact	Impact Management and Reporting

3.3. The PBII Funding Ecosystem

Behind the conceptual model of PBII, there is a complex ecosystem of players whose activities need to be aligned to deliver effective, impactful investment in places. The figure below shows the key stakeholder groups in this ecosystem.

Figure 17: the PBII funding ecosystem²⁸



For the purposes of this report, we focus mainly on the following groups, recognising that there will be different actors involved in different sectors e.g. housing, infrastructure, energy:

- Local and regional government (Combined Authorities, counties, local authorities and pan-regional bodies)
- Local government pension scheme funds and pools
- Fund managers
- Developers
- Central government
- Intermediate agencies with a key role in investment, including the National Wealth Fund, Homes England, the National Grid, the Environment Agency and National Highway

27. The Good Economy, Impact Investing Institute and Pensions for Purpose, 2021. [Scaling up institutional investment for place-based impact](#)

28. The Good Economy, 2024

3.4. PBII – From Theory to Practice

Since the original 2021 White Paper setting out the definition of, and case for, PBII in the UK, considerable progress has been made on several fronts to develop the practical application of PBII on the ground.

Influencing Policy

The 2021 White Paper presented a case study demonstrating the scale of the opportunity if LGPS funds could be persuaded to invest 5% of their assets in place-based projects. This idea was picked up in the previous government’s Levelling Up White Paper and subsequently the current government is looking to make local investment an integral part of pension fund investment strategies as part of pension reform.

Creating a PBII Community

Collaboration is at the core of the PBII model. To succeed, organisations need to come together in unfamiliar combinations to create and deliver new investment models. This requires the building of new relationships, developing mutual trust and shared knowledge before formal arrangements can be created.

Over the last few years, new forums have emerged to provide an environment in which this relationship-building can take place. TGE has established the PBII Network which brings together place stakeholders, asset owners and asset managers to tackle issues for mutual benefit, and the Impact Investing Institute has convened a PBII Coalition with similar goals.

Piloting the Concept

As well as building new relationships, with any new model it is very valuable to find opportunities to test the concept at a modest scale before committing significant resources to large-scale implementation. To this end, both TGE and the Impact Investing Institute have facilitated a series of pilot or ‘Lab’ projects using particular investment challenges in a range of locations around the UK to identify potential specific applications of the PBII approach.

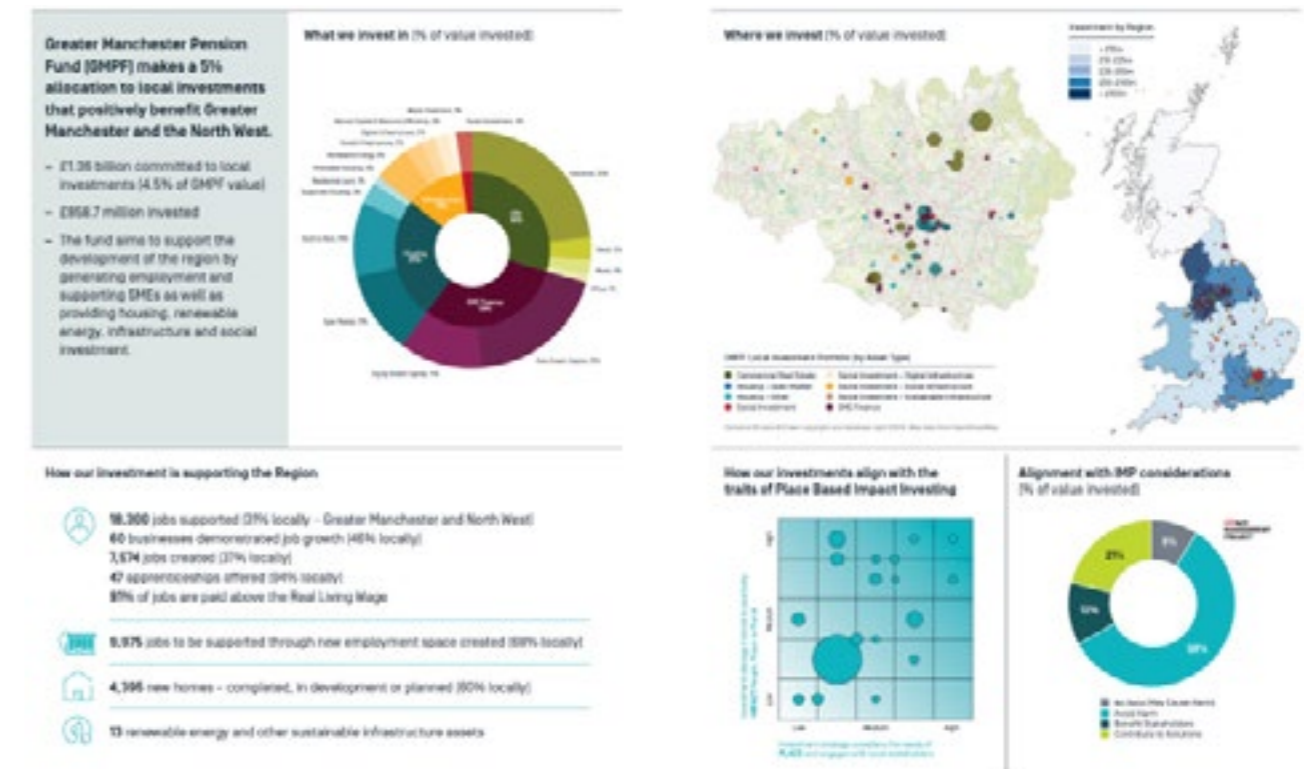
TGE’s PBII Labs report²⁹ drew out the following messages:

- Local government faces an increasing number of complex challenges and reducing resources with which to tackle them, including limited capacity for more public sector borrowing to fund local projects.
- There is a growing group of highly engaged asset managers who are seeking to make a positive contribution to the sustainable development agenda and are interested in PBII. Some of these have launched specialist funds in specific sectors with the intentionality to have a place-based impact and are looking for opportunities to invest in local projects. In particular, there are now a good number of specialist asset managers with affordable housing investment funds seeking to find local projects, as well as real estate impact funds and SME finance funds (both equity and debt) operating at both national and regional level.
- Both sides often start from a limited mutual understanding of what the other party needs / can offer, and there is also a level of mistrust built on historical experience.
- Internally, investors have tended to focus on investment ‘verticals’ even where they do have investment funds across different PBII pillars – all would benefit from applying a place-based lens across organisational siloes.
- There is real value in getting parties around a table to have a conversation about what is needed and to approach these engagements in a spirit of openness and open-mindedness.
- Finding a common language to talk about social outcomes and developing local impact partnerships and common impact measurement frameworks would bring a lot of value to both sides and potentially open up a much wider market opportunity.

PBII Reporting Framework

With the current prevalence of disinformation and greenwashing, it is important that investors and developers adopt an independent and verifiable reporting standard to measure and report their contribution to social, economic, and environmental outcomes from a place-based perspective. TGE has developed a PBII reporting framework with the LGPS and specialist asset managers that is now being used as a standard method of measurement by a growing number of the asset owners, including LGPS, as well as some asset managers. The first report of its kind using this framework was produced for the Greater Manchester Pension Fund in 2023 (see example dashboard below), and is now being adopted by a number of other LGPS funds around the UK.

Figure 18: Greater Manchester Pension Fund PBII dashboard



29. Place-Based Impact Investing (PBII) Innovation Labs: Findings and Lessons Learned, TGE, October 2023

3.5. PBII as an Enabler of Inward Investment

As noted in the Introduction, the primary focus of this White Paper is *institutional* investment, characterised by deployment of long-term, patient capital seeking modest but stable returns from assets such as housing, infrastructure, and SME finance. However, it is important to note that this type of investment is a critical enabler of *inward* investment, for which companies choose where to locate facilities such as offices, factories, and warehouses based on a range of criteria.

Figure 19 below³⁰ shows a conceptual view of how this interdependency works within a place.

Figure 19: interdependencies of different investment types

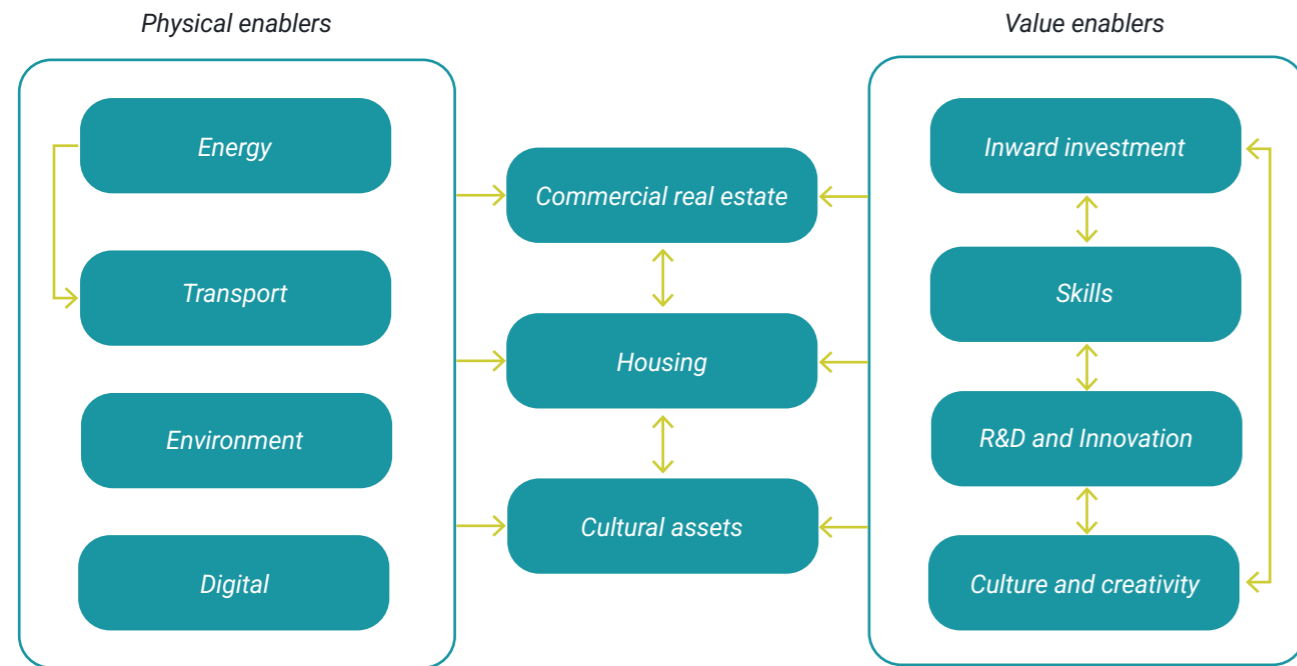


Figure 19 shows some of the typical key relationships, highlighting three broad types of investment (the first two of which fall under the broad category of PBII):

1. *Physical enablers*: needed before real estate can be built, including transport, energy, environmental, and digital infrastructure. Funding for brownfield remediation is also often a critical need.
2. *Real estate-centric investment*: including housing, commercial, and cultural spaces.
3. *Value enablers*: needed to make building real estate assets economically viable, by making the place attractive to employers, workers, other residents and visitors. These include areas such as inward investment, skills, R&D/innovation and the cultural offer.

All these investment types depend on each other to be viable: for example, district heating schemes, an increasingly important part of the energy mix, rely on a level of confidence in future energy demand to unlock the investment case.

30. UK Urban Futures Commission, 2023. Investment Playbook.

3.6. Case study – Greater Manchester

The approach of Greater Manchester Pension Fund (GMPF) and Greater Manchester Combined Authority (GMCA) provides a best-in-class example of Place-Based Impact Investing through a local investment strategy.

Greater Manchester Pension Fund

The GMPF is the largest local government pension fund in England and Wales, with over £31.29 billion Assets under Management (AUM) as of March 2024. Local investment has been a consistent part of GMPF’s strategy for over 25 years, and GMPF continues to be intentional about investing to benefit the region, developing its Place-Based Impact Investing approach on an ongoing basis.

GMPF Investment Strategy

GMPF treats its Local Investment Portfolio as a separate mandate with a different investment strategy and investment team to its core investment portfolio. GMPF currently allocates up to 5% of its investment value to local investments with ‘local’ defined as Greater Manchester and the North West of England. This investment strategy has dual objectives of both achieving financial returns in line with the pension fund’s fiduciary responsibility and to achieve a place-based impact.

The Local Investment Portfolio comprises two distinct investment mandates and investment strategies (see Figure 20). Both target a financial return of RPI+4%.

Figure 20: GMPF’s Local Investment portfolio Investment Approach and Impact Themes

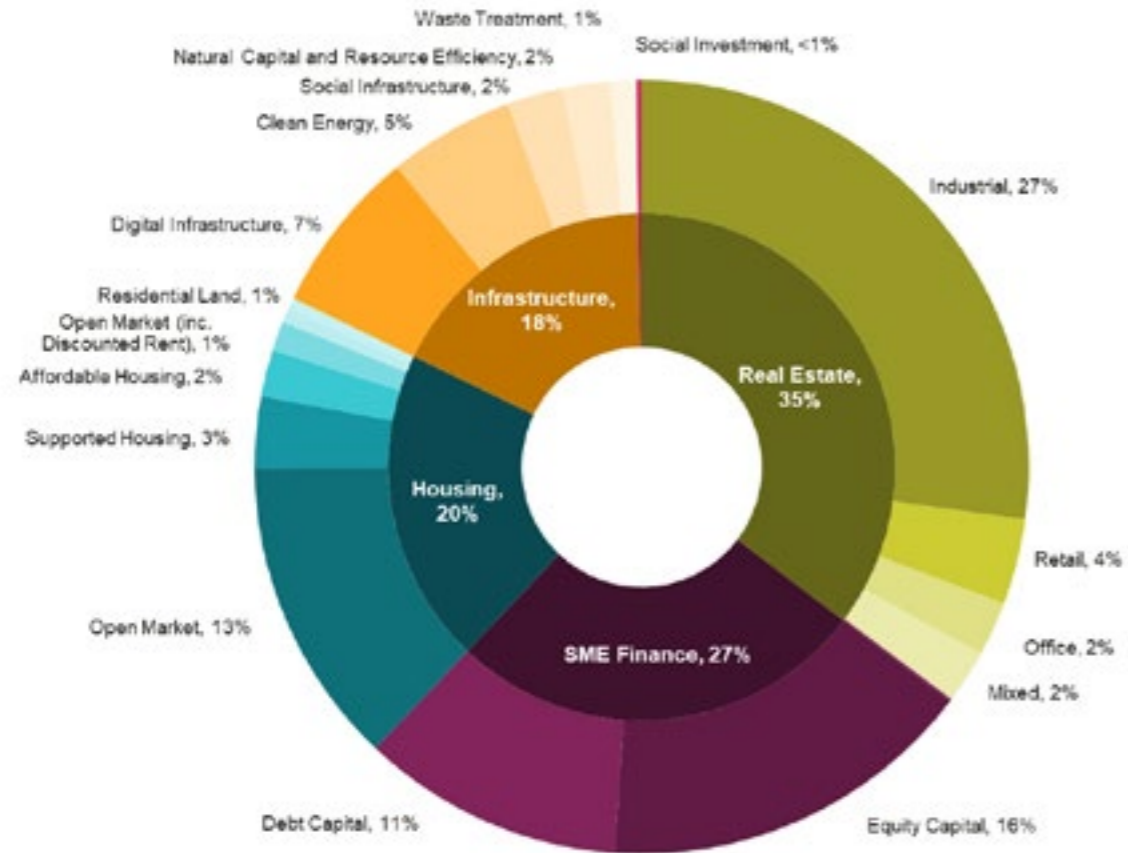
Local Investment Portfolio	Investment Approach	Allocation	Impact Themes	Impact Sub-Themes
Impact Portfolio (40% of GMPF’s Local Investment portfolio)	Outsource investment to qualified fund managers who invest on GMPF’s behalf, seeking diversified exposure to a portfolio of “impact” investments located predominantly in the North West of England. Structure investments to incentivise local investment e.g. through co-creating side vehicles in national funds with a regional allocation.	2% of GMPF’s total investment value	Jobs Place	Loans to SMEs Equity investment in under-served markets Investment in technology jobs Renewable energy infrastructure Social investment Social infrastructure Housing/property development in underserved markets
Greater Manchester Property Venture Fund (60% of GMPF’s Local Investment portfolio)	Invest directly in property assets and joint ventures through an Investment Management Agreement with CBRE Investment Management, to gain diversified exposure to property development assets (such as housing, retail, and office units) located predominantly in the North West of England and with a clear emphasis on Greater Manchester.	3% of GMPF’s total investment value	Economic development	Generate employment Improve long-term employment prospects Contribute to overall development of the local economy

GMPF has built an investment team with the skills and competence to assess local opportunities across a wide range of asset classes and investment strategies. It has a clear governance and investment process and has developed strong relations with GMCA and local authorities, as well as developers and project originators in Greater Manchester and the wider region.

Allocation of the Local Investment Portfolio

Over the years, GMPF has built a balanced, multi-asset portfolio comprising investment in SME finance, commercial real estate, residential housing, social and green infrastructure, and social investment (see Figure 21 for allocation by asset class). Two thirds (66%) of investment is located in Greater Manchester and the North West, demonstrating GMPF's role in the region's local economic and sustainable development.

Figure 21: The GMPF Local Investment portfolio, by asset class and investment value



Outside of their Local Investments portfolio, GMPF also invest in GLIL Infrastructure (GLIL). Originally this was joint venture between GMPF and London Pensions Fund Authority set up to directly invest in infrastructure assets in 2015. Since then, the venture has been restructured as an open-ended fund to invest in assets with long-term time horizons, as well as allow for new institutional investor members. Assets include renewable energy such as solar and wind farms, rolling stock operators, ports and utilities companies. GLIL is managed by Local Pensions Partnership Investments (LPPI).

Figure 22: GMPF Investment Strategy by asset class

Asset class	Strategy	Examples
SME Finance	Committed £515m in 23 funds across 10 fund managers which have invested in over 160 businesses, recognising that businesses in the North West are less likely to receive debt, venture capital or equity finance than counterparts in London and the South East. 40% of investee businesses are in the North West, contributing to job creation in the region.	Northern Gritstone Limited, Foresight Regional Investment Funds
Real Estate	£332m committed to 21 commercial real estate assets, providing 489,000m2 of business, industrial and office capacity across both the GMPVF and Impact Portfolio.	Industrial facility in Widnes, Cheshire (key location for Liverpool's Freeport Zone)
Housing	£173m invested into 9 funds that have collectively invested in over 3,500 homes. This includes a range of housing types: Affordable housing, senior living, supported housing, temporary accommodation and open market, meeting a range of needs. 64% of homes are in the North West.	Cheyne Impact Real Estate Trust (CIRET), which provides affordable and specialist housing Resonance National Homelessness Property Fund 2
Social and Digital Infrastructure	Invested £20m via three funds into 10 social infrastructure assets, including nurseries and a Special Education Needs (SEN) school. £59m has been invested into digital infrastructure.	Alpha Real Capital Social Long Income North West Fund (social infrastructure) Gresham House's British Sustainable Investment Funds (digital infrastructure)
Clean Energy	Invested £72m in 13 renewable energy infrastructure assets, including biomass energy, windfarms, vertical farming, waste treatment facilities and a regenerative habitat bank.	Gresham House's British Sustainable Investment Funds
Social Investment	£20m committed to three social investment funds. GMPF is one of the first pension funds to have invested in specialist social investment funds, viewing them as a means to provide more direct support to help tackle poverty and disadvantage.	Bridges Social Impact Bond I and Bridges Social Outcomes Fund II

Within its Impact Report, TGE makes recommendations on how GMPF could enhance its place-based impact. A core recommendation has been to seek opportunities to invest more in smaller towns in support of more balanced and inclusive regional growth. GMPF has responded and asked its partner, CBRE Investment Management, to actively engage in conversations with local authorities about opportunities that meet local needs.

Greater Manchester Combined Authority

GMPF have worked closely with GMCA, having agreed on investment criteria which GMCA understands. This enables regular work on investments together, including direct investments in local projects and investment in specialist funds. Political stability and strong leadership have provided a foundation to develop good governance and relationships between combined and local authorities across the wider region. This has enabled a clear strategic vision and alignment on the growth ambition and narrative of the region. GMCA made good use of devolution funding to build multidisciplinary expertise, prepare blended finance deals, and set up recyclable funds to seed investments. This shift away from grant funding began with the Housing Investment Fund and has expanded to other asset classes, demonstrating a willingness to explore innovative funding models. In-house expertise has been used to support local authorities in developing investable projects, with a view to increasing investment in areas beyond the central conurbation. The Midlands could learn from Greater Manchester's success in capacity building, fostering strong collaboration, and adopting innovative funding models to attract investment and support regional development.

3.7. Summary – Key Success Factors for PBII

In a short space of time, PBII has evolved from an emerging concept to a core element in cross-party policy for regional development, a sector-wide approach to investment reporting and an increasingly important driver of investment on the ground. It is useful to reflect on this experience to date, as well as looking at comparable models from overseas, and draw out some key features of emerging best practice which can be used as a framework to test the investment readiness of a region like the Midlands against.

1. Build a Strong Place Coalition

One of the key things investors look for when considering whether to invest in a place is whether there is strong cohesion between local stakeholders. If this is not already in place, key steps to consider are identifying key stakeholders in the place, and building relationships with them around a shared narrative, strategic goals, pooled data, and recognition of what each party brings to the table.

2. Develop a Shared Vision and Goals

The place coalition needs to create an ambitious but credible vision setting out what the place should look and feel like to live and work in. This should be informed by objective data on strengths and weaknesses and authentic community engagement. Political buy-in is also critical.

3. Create Effective Governance

A robust governance model that provides clarity and transparency to all parties, applies proportionate scrutiny to all opportunities, and enables good projects to progress at pace is also vital.

4. Build Capacity to Deliver

Lack of local capacity to develop and deliver sufficiently detailed place-based investment strategies to attract investors is a common theme across UK local government. At a minimum, local stakeholders need sufficient in-house capability to act as an intelligent client when bringing in external resource to support their engagement with private investors.

5. Create Investment Pipeline and Vehicles

Identifying a pipeline of genuinely investable opportunities (such as those showcased in the Midlands Investment Portfolio) gives long-term investors confidence to engage on the basis that they will be able to profitably deploy capital at a reasonable pace. In some cases, it is useful to create investment vehicles where the upfront cost and time required to set them up is repaid through streamlined delivery and efficient allocation of risks between parties. It is critical to finding areas where it is possible to start delivering results, both in terms of starting to address regional challenges, and giving investors confidence in the place coalition's ability to get things done.

6. Boost Regional Data Capabilities

Successful places monitor progress against key objectives and build in feedback loops, iterating strategy and delivery according to new insight. Robust data is a critical ingredient in setting and tracking progress against a strategy and holding partners to account against their commitments.

In the next section, we set out the views of a range of stakeholders on the investment opportunities and challenges facing the Midlands, before outlining how the PBII model might best be applied to the specific conditions of the Midlands in Section 5.

4. The Opportunity for PBII in the Midlands

In the previous section we identified key elements required to enable successful place-based investment in a region. This section assesses the Midlands Engine region against these elements and highlights areas for improvement in investment readiness. Before getting into the detail, we provide an overview of how stakeholders within the region view the investment challenge, and how investors from outside the region currently view the opportunity to invest in the Midlands.

4.1. Place Stakeholder Perspective

We sought the views of a range of stakeholders within the Midlands, through interviews and a survey – see Appendix 1 for a list of interviewees and survey respondents.

Interview Findings – Local Government

We interviewed representatives with responsibility for areas such as investment and economic development from selected local government bodies within the Midlands. Key themes emerging from these conversations were:

1. Need for a Unified Regional Vision and Strategy

- The Midlands has lacked a cohesive narrative to market itself effectively, with individual areas promoting distinct strengths rather than presenting a unified identity.
- A hierarchical strategy (local, regional, Midlands-wide) is essential to integrate efforts and highlight shared opportunities, such as connectivity, affordability, and diverse economic strengths.
- This strategy must also connect investment opportunities to regional economic, social, and environmental goals.

2. Strengthening Collaboration and Governance

- Political divisions and fragmented local government structures hinder regional collaboration and investment.
- Independent organisations and Combined Authorities (e.g. EMCCA, Midlands Engine) can play pivotal roles in driving progress despite political challenges.
- Clear governance models are needed to attract investors, defining roles and responsibilities for decision-making and delivery.

3. Infrastructure and Investment Readiness

- Infrastructure development, particularly in transport, power, and flood defences, must align with growth initiatives to unlock investment potential.

- Investment Zones and innovative projects (e.g. Toyota-inspired garden towns) highlight opportunities but require strategic alignment to scale.

4. Sectoral Strengths and Opportunities

- The Midlands' economic diversity is a strength, with clusters in life sciences, digital tech, med-tech, and green energy offering growth potential.
- Focus on green technologies, decarbonised housing, and repurposing industrial assets (e.g. power stations for hydrogen production) aligns with investor interest.

5. Challenges of funding and investment models

- Limited budgets and over-reliance on short-term funding streams undermine long-term planning and institutional investment efforts.
- Engagement with institutional investors (e.g. LGPS, venture capital, foreign investors) and leveraging seed capital to catalyse private investment are critical.
- Highlighting investable propositions with clear risk management and returns is essential to securing funding.

These themes underscore the need for better integration, strategic clarity, and proactive engagement with stakeholders to attract investment and drive regional growth.

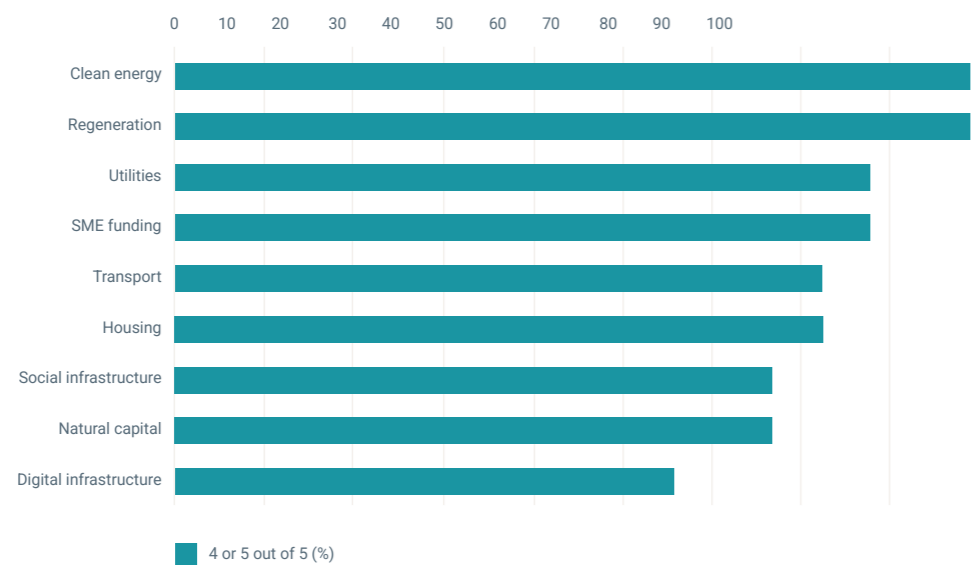
Local Government Survey Results

Our survey of local government across the region explored areas of unmet investment need across the region, and the extent to which local authorities (LAs) have engaged with institutional investors and Local Government Pension Schemes (LGPS) to date in response to these unmet needs.³⁷

Unmet investment need

Looking across different asset types, the survey revealed that clean energy projects exhibit the highest levels of unmet investment need, with 89% of respondents identifying this as a priority area (4 or 5 out of 5). Other key areas with significant gaps include regeneration projects, utilities infrastructure, and SME funding (see Figure 23). These findings underline the demand for targeted investment to bridge gaps in essential infrastructure and services across the Midlands.

Figure 23: Priority areas of unmet need



The main barriers for investment in transport infrastructure include:

- **High Infrastructure Costs:** Developing transport infrastructure requires significant capital investment, which can be prohibitive without substantial funding and public support.
- **Regulatory Constraints:** Lengthy statutory approval processes (such as planning and Compulsory Purchase Orders) and stringent requirements can create barriers for Local Highway Authorities and developers looking to invest in transport infrastructure.

“Experiences of attempting to secure institutional investment in things like the Metro demonstrate there is a huge challenge to make this viable – farebox does not cover costs even over long term.”

³⁷. Responses from 18 individual across 16 local authorities. Respondents worked in economic development, place, regeneration and inward investment roles.

“
Birmingham was built around the car, but a huge proportion of the population doesn't have access to a car, and the large suburban nature of the city means travel from certain areas (e.g. the south and east) to places of employment can be very challenging. There is also significant digital inequality and a lack of green energy infrastructure. Having said all this, housing (and in particular affordable housing) is the city's greatest direct real estate and infrastructure challenge. Over 26,000 households are on the social housing waiting list, with over 6,000 in temporary accommodation.



“
Derby has a great resource in the river Derwent and a very strong manufacturing base. However, large parts of the city remain at considerable risk of flooding and there are few green energy initiatives linked to the river. Many well-paid workers (such as at Rolls Royce) live outside of the city centre, [so] spend leaks elsewhere. Derby also has a significant over-supply of retail and a low percentage of office accommodation in the city centre, the high street struggles with footfall and high vacancy rates.... Shared Prosperity funding and the Council's Ascend programme of funding for SMEs is limited or coming to an end and yet there is demand for make and trade premises and demand for loan and grant funding to support new and expanding businesses.... The Council currently has no local plan and, as a Key City, has a 35% housing requirement increase above local plan targets. To avoid greenbelt release, significant investment is required in brownfield land assembly and remediation.

Engaging with LGPS

Responses revealed significant variation in interaction levels; while many had engaged to some extent with institutional investors, a few reported minimal or no engagement. Where engagement had occurred, responses were mixed and it was more often exploratory, particularly in regeneration or housing schemes. Some respondents mentioned discussions with investors around other sectors such as digital and transport.

Co-investment with LGPS appears to be at an early stage. None of the LAs surveyed reported any co-investment to date, although a few respondents noted plans to pursue LGPS investment potential. Others were not aware of any plans to explore this.

LGPS Perspective

We spoke to representatives of the Central Pool (which covers the majority of LGPS funds in the Midlands), the West Midlands Pension Fund (which is part of the Central Pool), and the Lincolnshire Pension Fund (which is part of Border to Coast Pensions Partnership). The findings broadly mirrored those of local government stakeholders in relation to local investment:

- Experience of investing locally has been very variable to date.
- The level of engagement with local investment broadly reflects different levels of capacity, with WMPF better resourced than other funds.
- To date, in many cases their focus has been on global asset allocations as well as reporting, particularly on climate risk. Currently their investment mandates are generic including their private markets allocations which are global.
- Most of Central's partner funds have historically been lukewarm about local investing, but recognise that the proposed government pension reforms will change this.
- They will need to start engaging with their partner funds on their appetite for local investing and how to develop a strategy. The first step will be to take over management of legacy funds, which include some local investment.

Ultimately, the LGPS pools will need to develop a local investment strategy and capability/capacity to assess opportunities and do due diligence, investment selection, structuring and investment management. LGPS will also need to develop strategies as to how to build relations with local and combined authorities and understand and assess local growth plan opportunities, in partnership with their respective pools.

Pan-Regional Partnerships

The other group of place-based stakeholders we consulted were the pan-regional organisations that engage in relevant investment areas across the Midlands, including the Midlands Engine, Midlands Engine Observatory, Midlands Connect, and Midlands Mindforge (whose roles are outlined in Section 5.1 below). Key points emerging from these conversations were:

- All these bodies are intended to augment and support functions undertaken by local and Combined Authorities, engaging only where there is benefit from aggregation and agglomeration.
- Responsibility for inward investment is very fragmented across the region, with 25 separate agencies with a role promoting inward investment across the region, and 40-50 industry bodies representing different sectors. Midlands Engine aims to provide a single front door for investors to help navigate this complex landscape.
- Greater devolved powers would allow a more flexible approach to attracting investment. Some major businesses have left the region to areas with greater devolved powers (e.g. a tier 1 manufacturer who chose to relocate to Wales due to incentives there).
- There are strong clusters focused around the strategic sectors where the Midlands has a comparative economic advantage, but these clusters could do a better job of presenting themselves to prospective investors. There are good examples to learn from, such as the MIRA Technology Park, Europe's largest mobility R&D cluster.
- Alignment between investments in different types of infrastructure is a big challenge – e.g. between energy infrastructure (where National Grid is a key player) and transport infrastructure as co-ordinated through Midlands Connect.

- More private investment in transport is needed: Midlands Connect has to date been entirely publicly funded by the Department for Transport but is investigating potential to augment this with private capital.
- A strong pan-regional transport strategy can support both regional growth and national economic contributions. Collaboration between Midlands Connect and Midlands Engine aligns transport plans with broader regional economic goals, such as housing, regeneration, and green energy.
- Greater SME investment is needed at multiple levels: Midlands Mindforge is set up to address high-value university spinouts, which have potential to boost regional prosperity, but complementary investment in other sectors (such as retail) is needed to deliver the range of jobs that support fully inclusive growth.
- There is a lot of technical expertise within the region, but a relative lack of business advice to translate this into economic value.
- There would be value in a more joined-up approach to spatial and economic data and analysis across the region. The Midlands Engine Observatory provides a valuable data repository to inform economic and investment decision-making across the region. Midlands Connect also holds important data in relation to transport planning, while other subregional data is held by the likes of the Birmingham City Observatory and Warwickshire Insights.

4.2. Institutional Investor Perceptions

Several investors we spoke to are already active in the region and generally keen to do more under the right conditions. Examples include:

- Legal & General who have committed to invest £4bn across the West Midlands.
- Foresight launched their first regional SME fund in Nottingham in 2013 and manage part of the Midlands Engine Investment Fund (MEIF), providing equity finance to SMEs in the region.
- Gresham House invest in the Midlands in three areas: vertical farming (their first investment of this kind was in Staffordshire), social infrastructure such as nurseries, and habitat 'banks' as a means of delivering biodiversity net gain (BNG).

From our interviews with investors, developers, and advisors, several key themes emerged in relation to the current and potential attractiveness of the Midlands from an investment perspective:



Regional Perceptions

- The Midlands is generally perceived positively, recognised for its skilled industrial base and strategic position within the UK. Recent investment in Birmingham related to HS2 is also viewed favourably. Several investors expressed interest in increasing their activity in the Midlands, provided that some of the challenges outlined below are addressed.
- However, from an investor perspective, the region lacks a clear narrative and economic unique selling point (USP) that sets it apart from other regions. The new Midlands Growth Story has the potential to address this issue if it becomes embedded.
- There is a tendency for conversations about the Midlands to gravitate quickly to Birmingham, suggesting that other parts of the Midlands are much less visible to investors, particularly those based in London.
- Other parts of the country are seen by some as more tech- or clean energy-driven, which are seen as future growth sectors attractive to investors. For example, the Oxford, Cambridge and London “golden triangle” - the science, technology and innovation cluster in the southeast of England; the North East has the clean energy / green transition hub.
- Some investors noted that they do not have as many clients or investments in the Midlands as they would expect compared to other regions.

Investment Decision-Making

- In terms of deciding where to invest, many funds are ‘geography blind’, deciding which assets to invest in based on criteria that are not directly linked to place. However, many of the criteria they do use are greatly influenced by local factors, such as housing market dynamics and the maturity of local supply chains.
- For some asset classes, local factors are very important to fund managers. For example, funds focused on providing finance to SMEs pay close attention to the local business ecosystem, including setting up a physical presence on the ground to build and maintain relationships with local stakeholders. Natural capital investors focusing on opportunities in the emerging biodiversity net gain (BNG) space look for land with comparatively low agricultural value adjacent to sites earmarked for residential development.

Working with Local Stakeholders

- Local authority behaviour can have a significant impact on the attractiveness of certain investment opportunities. Several interviewees expressed frustration in dealing with local planning authorities. Issues cited include:
 - Protracted planning processes and an increasing tendency for all residential schemes to go to appeal, even when supported by officers and almost always approved in the end. One developer observed that it was now taking three times as long and costing twice as much to get schemes through planning as eight years ago.
 - Significant delays in getting input from statutory consultees, particularly in relation to highways, further extending the time required to crystallise opportunities.
 - Frustration in relation to BNG – we were told some authorities in the region haven’t approved any BNG credits, which prevents planning on affected schemes from being activated.
 - One critical factor is capability on the local government side to take project ideas and develop them into investable propositions. This requires technical and commercial due diligence, ESG / impact assessment, and financial and legal structuring, all of which require specialist skills and resourcing which are often lacking locally.

Addressing Interdependencies

- More joined-up thinking between different investment areas would also help. For example, considering how decisions relating to housing, transport, and energy infrastructure connect to one another.
- Power connectivity is a big constraint on commercial development. Some sites are being quoted a lead-time of eight years for a grid connection.
- In Lincolnshire, the capacity of the Environment Agency to invest in flood mitigation measures was also raised as a constraint on development.

“

The Midlands is a really important place for the country to develop. It’s so central. It’s got great connections in all directions. We think it has a really big part to play in the growth of the UK and helping to improve productivity.



“

I was working on a quarter of a billion pound investment on a hundred plus acre site [in the Midlands] and to try and get a single person to speak to about any of it was, well, was impossible. I had I can’t remember how many conversations I had, but it was many, many.



“

I’m not sure that the West Midlands and the East Midlands join up particularly well.

“

Certainly in terms of things like vertical farming, the reason that we didn’t do our bigger farm there was that they didn’t make it easy for us to access solar and wind assets and the grid connections weren’t really that available. So yeah, we certainly think that [the Midlands] could do more on the grid connection side of things.



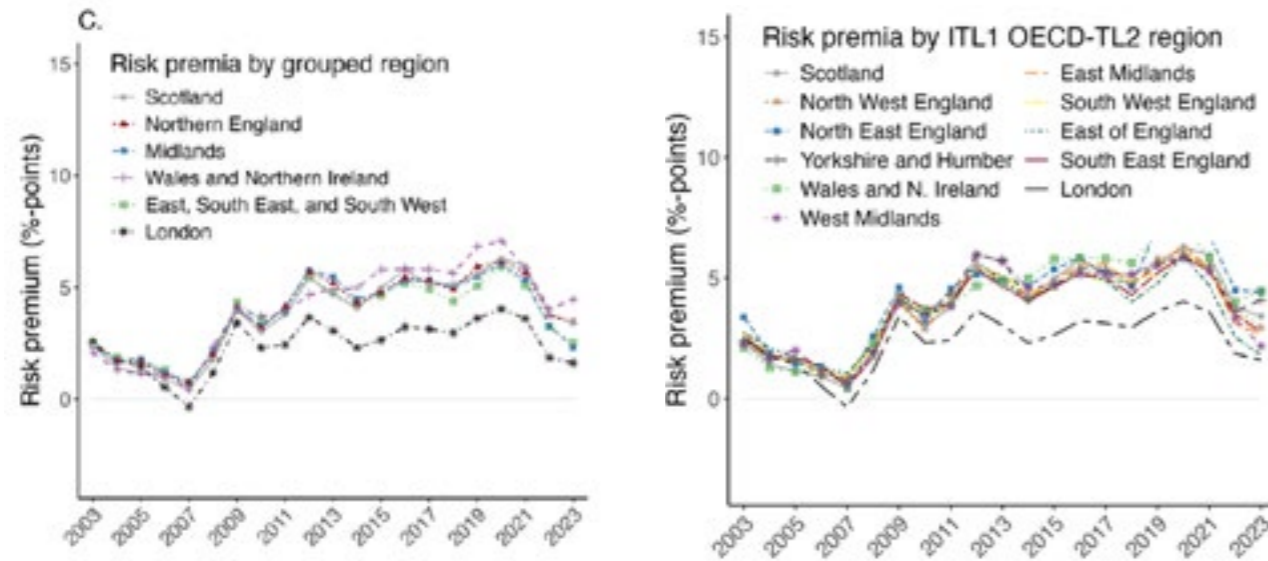
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There’s an opportunity there – go and exploit it [...] There are two key lessons from Greater Manchester where 1) they made very good use of devolution funding to build skills and mobilise private investment for strategic projects; and 2) they have strong teams and work collaboratively.

Assessing Regional Risk – Market Evidence

A recent report by the Productivity Institute³² used detailed real estate investment data to estimate regional investment risk premia for regions around the UK. This suggests that, based on actual commercial transactions, the Midlands performs relatively well for regions outside London in terms of investors' views about risk.

Figure 24: Regional investment risk premia



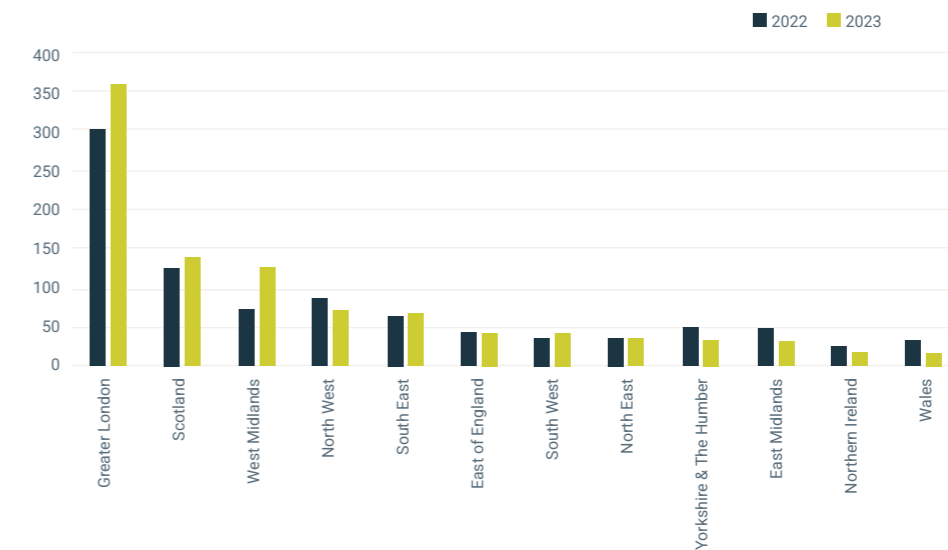
32. The Productivity Institute, 2024. [Regions, cities and finance: The role of capital shocks and banking reforms in shaping the UK geography of prosperity](#)

4.3. Inward Investment Perspective

As noted earlier, institutional investment, in addition to delivering positive outcomes in its own right, has a key role in underpinning inward investment in productive capacity.

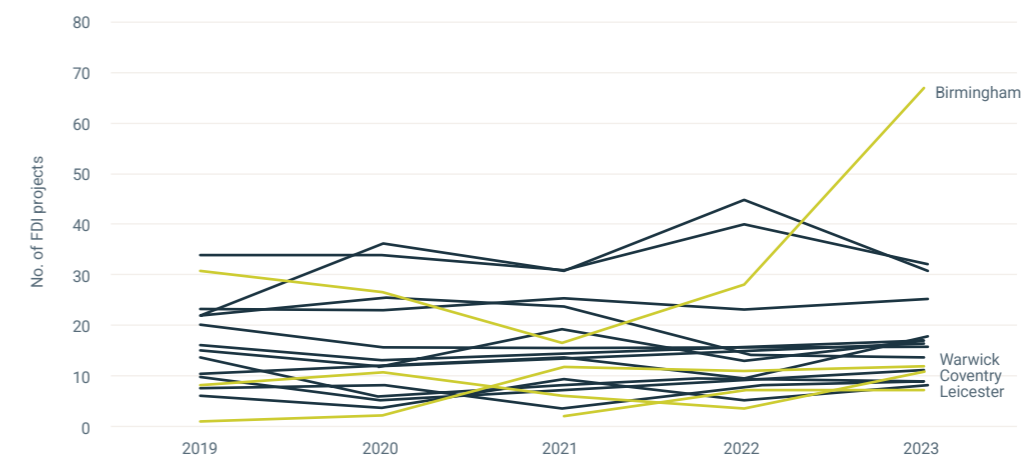
EY produce an annual report³³ showing inward investment activity and views of prospective inward investors for regions within the UK and other European Countries. Figure 25 shows the number of Foreign Direct Investment (FDI) projects announced in 2022 and 2023 by region. London dominates, but the West Midlands does comparatively well and shows strong short-term growth on this metric. By contrast, the East Midlands is towards the bottom of the pack and trending downwards.

Figure 25: Projects across UK regions, 2022-23



The picture within the Midlands is mixed. In 2023, Birmingham attracted more FDI projects than any other UK city outside London. Within the region, Warwick, Coventry, and Leicester were towards the bottom of the top 16, with others such as Nottingham even further behind.

Figure 26: Largest UK city recipients of investment outside London, 2019-23³⁴



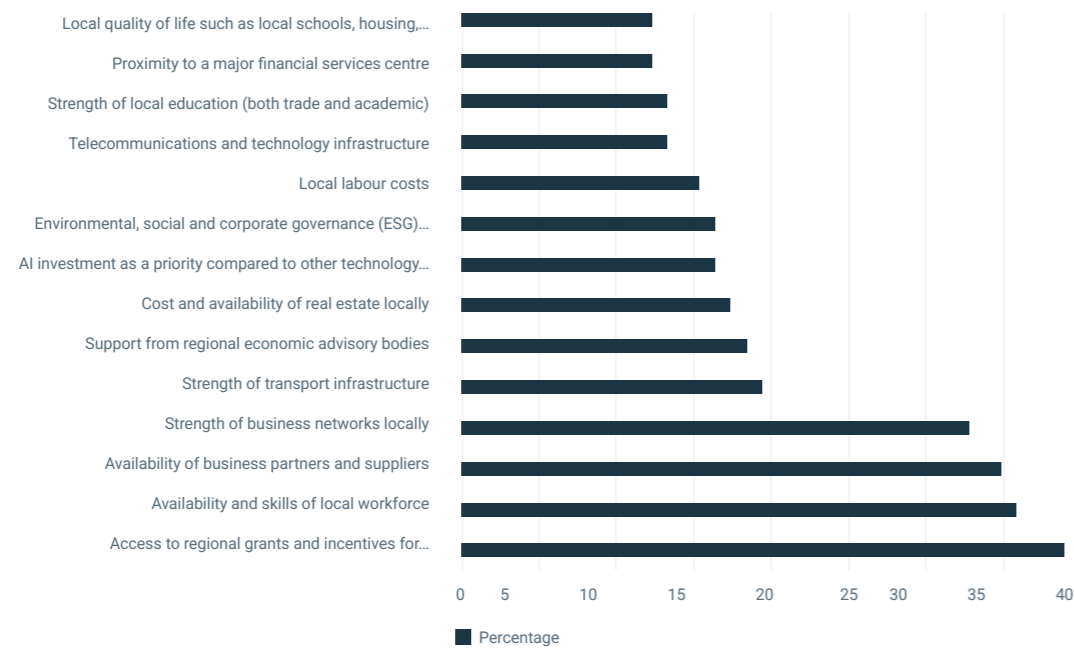
33. EY, 2023. European Investment Monitor

34. EY, 2023. European Investment Monitor

In the same report, EY survey prospective investors to understand what influences their decisions whether to invest in the UK as a whole, and in regions outside London in particular. Figure 27 below shows their responses.

Figure 27: What are your investment criteria when considering investing in the regional locations outside of London in the UK?

Percentage of investors selecting each investment criteria when considering investing in the regional locations outside of London in the UK



A number of these criteria relate directly or indirectly to PBII-related asset classes, such as availability of skilled workforce (which depends among other things on quality homes and other amenities), availability of suppliers (including a vibrant SME sector), transport infrastructure, and availability of commercial real estate.

A PBII-led investment framework for the Midlands should recognise the role institutional investment plays in attracting inward investment, with a particular focus on bringing the fortunes of the East Midlands forward. In doing so it should be informed by the decision criteria used by inward investors, particularly those active in the key sectors identified in the Midlands Growth Story as key to the region's future prosperity.

4.4. Summary

Across all the different stakeholder groups whose views we sought, several consistent themes emerged in relation to investment:

- 1. Sectoral Strengths and Growth Opportunities**
 The region boasts clusters in life sciences, digital tech, green energy, and manufacturing, with potential for growth in hydrogen production, decarbonised housing, and SME support. Opportunities exist to repurpose industrial assets and attract investment through initiatives like the Midlands Growth Story.
- 2. Investment Challenges**
 There are significant unmet investment needs across all the PBII pillars. Key barriers include high infrastructure costs, lengthy planning processes, and inadequate funding for strategic projects.
- 3. Regional Vision and Collaboration**
 The Midlands lacks a unified strategy to market its strengths effectively, with fragmented governance and political divisions hindering collaboration. The Midlands Growth Story is an attempt to respond to this but will only work if backed by key stakeholders in the emerging structure of local and regional government. Pan-regional partnerships like Midlands Engine and Midlands Connect aim to provide a cohesive approach to attract investment but face challenges in aligning regional infrastructure and economic goals.
- 4. Institutional Investment**
 Local Government Pension Schemes (LGPS) and institutional investors show mixed levels of engagement in local investment, with limited co-investment to date. Investors recognise the Midlands' industrial base and strategic location but highlight the lack of a clear regional narrative and challenges with planning and regulatory frameworks.
- 5. Local Government and Stakeholder Engagement**
 Councils face capacity constraints in translating ideas into investable propositions, requiring expertise in financial structuring, ESG assessment, and due diligence. Collaboration between stakeholders is essential to align housing, transport, and energy projects and improve investor perceptions.
- 6. Inward Investment Trends**
 Birmingham leads in attracting foreign direct investment (FDI) outside London, but the East Midlands lags behind. Investors prioritise skilled workforces, transport infrastructure, and vibrant SME ecosystems, underlining the need for strategic focus on these areas to boost regional prosperity.

With these themes in mind, we now address the key question: how can the PBII model be used to mobilise greater investment in the Midlands?

5. Applying PBII in the Midlands

After identifying the key ingredients for successful PBII investment in Section 3 and summarising the views of key stakeholders on the Midlands' most significant challenges in Section 4, we now explore potential solutions to address these challenges and enable a transformative increase in institutional investment in the region.

In preparing this section, we have been very mindful of the need to balance the imperative for a robust model, capable of delivering the scale of investment commensurate with the level of ambition set out in the Midlands Growth Story, with the imperative to start delivering tangible improvements for communities in the Midlands quickly. This is important both for its own sake, to improve the lives of local people, and as a means of demonstrating capability and intent to prospective investors. For this reason, we have focused on areas of existing capability and good practice that can be built upon, rather than starting with a blank piece of paper to design the 'perfect' approach. We review this in relation to the key success factors for PBII outlined in Section 3.7, and outline ways to build the institutional and commercial pathways to scale up local investment for positive outcomes.



5.1. Build a Strong Place Coalition

One of the key factors investors look for when considering to invest in a place is whether there is strong cohesion between local stakeholders and an aligned place-based vision. Our view is that the Midlands has all the elements to form a strong place coalition, but there is work to be done on agreeing a shared vision, joining the dots across various strategies, and clarifying roles and responsibilities, including in relation to identifying strategic priority investment projects and interacting with institutional investors.

Pan-Regional Collaboration

There are several existing structures in place to facilitate pan-regional collaboration across the Midlands.

- **Midlands Engine:** The Midlands Engine is an apolitical partnership that unites public, private, and academic stakeholders to drive economic growth and prosperity across the Midlands. By fostering collaboration amongst diverse partners, it bridges organisational and geographical boundaries to align priorities, leverage shared strengths, and tackle key challenges. The Midlands Engine plays a vital role in promoting the region's assets to attract investment, particularly in priority sectors such as green growth, food and agri-tech, and health and life sciences. Its commitment to creating a cohesive vision and delivering transformative projects enhances regional connectivity, drives innovation, and supports sustainable and inclusive growth across the Midlands. The Midlands Engine has developed a shared narrative for the region which provides the basis for a collective regional vision for local stakeholders and institutional investors.
- **Midlands Engine Observatory:** The Midlands Engine Observatory provides comprehensive data, research, and expert analysis at a pan-regional level. As part of the Midlands Engine, the Observatory unites leading academic researchers, economists, and industry experts to deliver regionally focused insights that inform decision-making and policy development. As the first pan-regional observatory in England, it helps partners understand the challenges and opportunities affecting the Midlands, enabling evidence-based decisions that drive positive outcomes for the region.

- **Midlands Connect:** Midlands Connect drives the research, development, and delivery of major transport projects across the Midlands. It provides strategic guidance on regional transport priorities and brings together stakeholders to collaborate on innovative solutions. By maintaining a pipeline of key projects, Midlands Connect advises the government and works to maximise environmental, economic, and social benefits for both the Midlands and the wider UK. Its unique role allows it to coordinate across various types of transport infrastructure, clarify priorities, and support long-term planning and certainty for multiple sectors.
- **Midlands Mindforge:** Midlands Mindforge is an investment company formed to accelerate, enhance and capture value from the commercialisation of cutting-edge research and innovation from its eight partner universities in the Midlands, benefiting the region as a whole. By providing patient capital, it addresses a critical funding gap for high-growth, early-stage spinouts, leveraging priority access to the talent transfer offices of its partner institutions. Midlands Mindforge is set to enhance the region's innovation ecosystem by fostering stronger collaborations between academia and industry, driving regional productivity, and supporting the growth of high-value businesses. Mindforge aims to retain talent and innovation within the Midlands, improving the region's position as a hub for science and enterprise. It is an important investment vehicle to attract SME investment to the region (see Section 5.5).
- **Midlands Net Zero Hub:** The Hub works with local authorities and community organisations to improve capacity and capability on the journey to reaching net zero. Its aim is to help public sector organisations to develop and finance local decarbonisation and energy projects, supporting its partners to decarbonise the region.

Regardless of whether these entities continue to exist in their current form, many of the areas they focus on benefit from a level of pan-regional co-ordination and economies of scale. Teams and individuals within these organisations have built valuable capabilities and relationships which would benefit a prospective investment-focused place coalition. Careful thought should be given to ensuring this value isn't lost in any reorganisation of local and regional government.

Local Government

The Midlands, like elsewhere, is undergoing local government reform which will have significant implications in terms of local government powers, resources and capabilities in relation to raising private investment. The Devolution White Paper published in December 2024, and currently subject to consultation, is intended to drive more consistent devolution arrangements across the English Regions. There is a varied starting position in the Midlands. As further detailed in Section 2.1, WMCA is a relatively mature combined authority, established in 2009 and benefiting from a trailblazing financial settlement. EMCCA, by contrast, was only established in 2024, and the Greater Lincolnshire Combined County Authority will be formally established in May 2025. Other parts of the region, including Leicestershire, Worcestershire, and Staffordshire, have largely been excluded from the devolution conversation to date.

The Devolution White Paper identifies a number of areas where Strategic Authorities³⁵ should have a mandate to act strategically to drive growth as well as support the shaping of public services, where the Government believes strategic level coordination adds value:

1. Transport and local infrastructure
2. Skills and employment support
3. Housing and strategic planning
4. Economic development and regeneration
5. Environment and climate change
6. Health, wellbeing and public service reform
7. Public safety

Several of these areas have a clear relevance to the PBII pillars. It is important for investors to understand the local government landscape and who is responsible for what decisions at the local level.

LGPS Funds and Pools

LGPS funds have not always seen themselves as important stakeholders within their own regional economies, but through the proposed changes under the Fit for the Future³⁶ review, an increasing emphasis on local investing is anticipated.

Other Groups

Other key groups of stakeholders to consider including in a place coalition are universities, NHS Trusts and major private sector employers such as Jaguar Land Rover (JLR) and JCB. The key is to understand what each of these parties is seeking to achieve and which levers and assets they can contribute.

Summary

The table below illustrates where relevant capabilities, powers and resources might sit across the key institutions within a place and what different stakeholders bring to the table. The specific mix of institutions, capabilities and assets will vary by location.

Figure 28: Illustrative regional place coalition model for the Midlands

		Pan-regional bodies	Combined Authority / County	Local Authority	Universities	NHS Trusts	Major employers	LGPS
Capabilities / powers	Economic development	● (Support)	●(Lead)		●			
	Spatial strategy			●	●			
	Planning authority							
	R&D / innovation				●	●	●	
	Housing demand			affordable housing waiting list	student population	key workers	skilled workers	
Funding / economic assets	Central government funding for local investment	Midlands Connect: DfT	MHCLG +	MHCLG +	DfE, DSIT, UKRI	DoH		
	Place-focused patient capital							●
	Land ownership			●	●	●	●	
	Fixed asset investment				●	●	●	●
	Council tax			●				
	Business rates			●	●			
	Research funding				●	●	●	
Skilled workforce	●	●	●	●	●	●		

35. A strategic authority will be a legal body set up using national legislation that enables a group of two or more councils to collaborate and take collective decisions across council boundaries.

36. Ministry of Housing, Communities and Local Government, 2024. [Local Government Pension Scheme \(England and Wales\): Fit for the future - GOV.UK](#)

5.2. Develop a Shared Vision and Goals

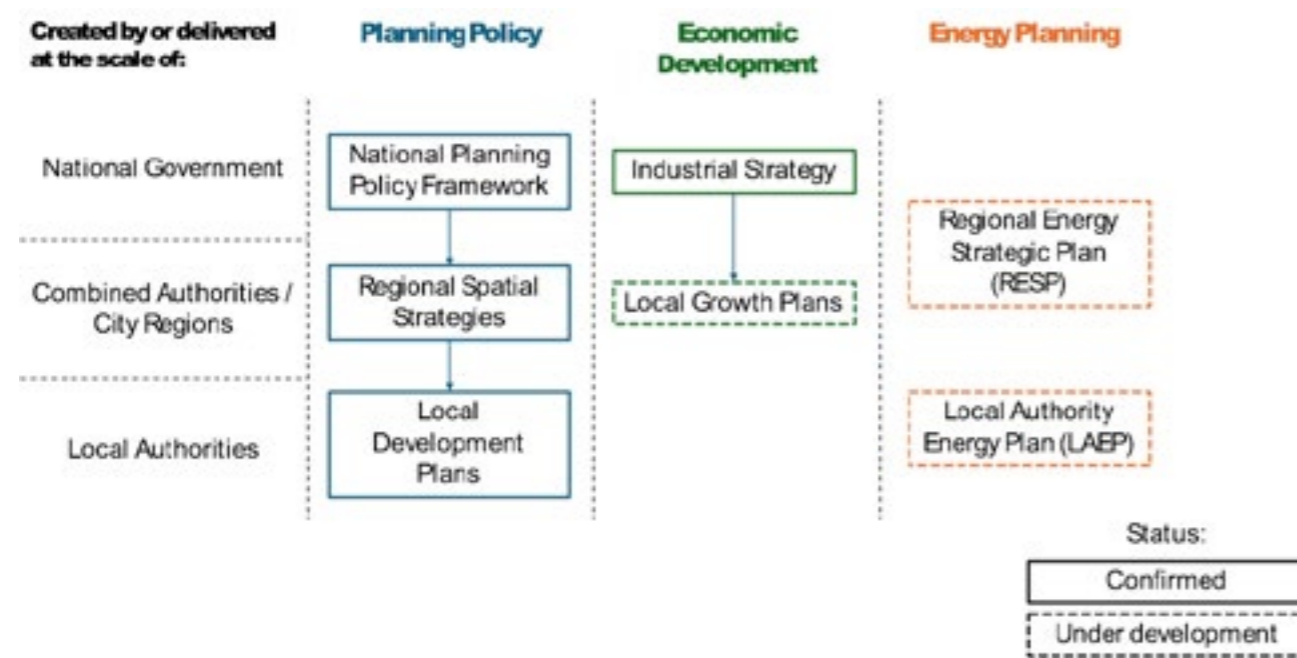
In Section 3.7, we suggested that a place coalition needs to create an ambitious but credible vision setting out what the place should look and feel like to live and work in. This should be informed by objective data on strengths and weaknesses and authentic community engagement. Political buy-in is also critical.

The new Midlands Growth Story provides a pan-regional narrative that is intended to support the development of local growth plans and partner strategies. The narrative enables stakeholders to see how they fit into the larger picture, guiding the development of their own strategies within the context of regional and national goals. This is a useful narrative that can underpin a place-based vision.

If investment is to be linked to wider economic, social and environmental goals, an outcomes framework will be needed setting out how any particular investment should be expected to contribute. This could build on an expanded version of the table set out in Section 2.6.

The approach to strategic planning for investment needs to take account of the various interdependencies that have been referred to throughout this report. Figure 29 below summarises some of the main government strategies arising from different central government departments which require action at local or regional level.

Figure 29: Policy domains requiring local and/or regional strategies

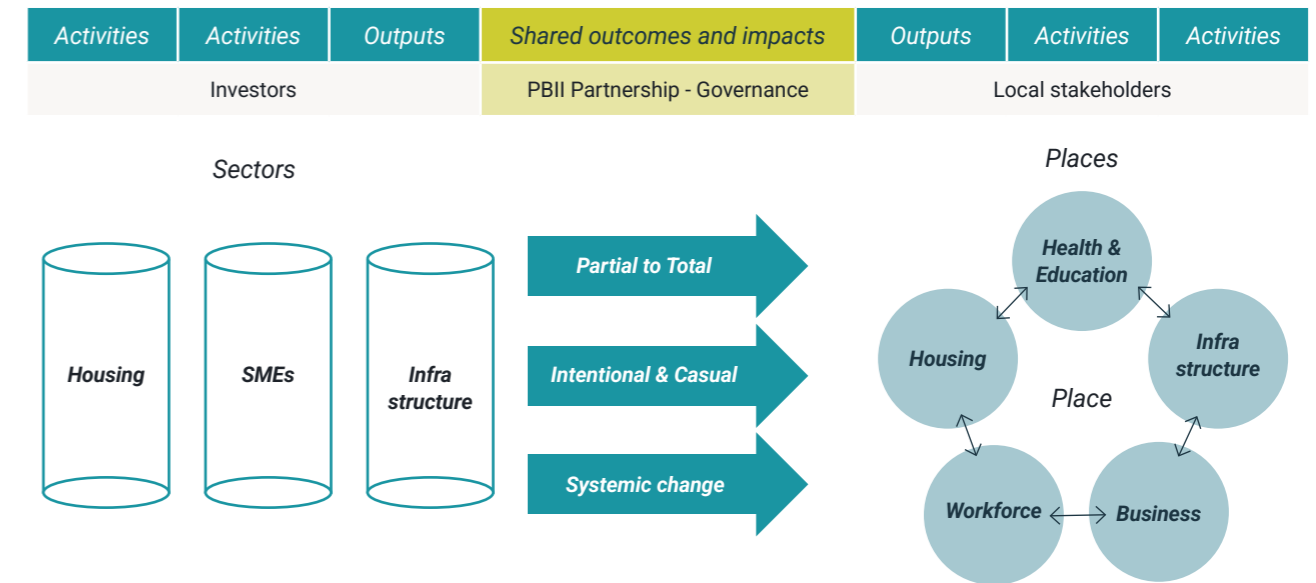


As part of the approach to delivering these strategies in place, considerable attention should be given to identifying and managing the connections between them, and how they connect to strategic investment priorities and projects.

5.3. Embed Effective Governance

A robust governance model that provides clarity and transparency to all parties, applies proportionate scrutiny to all opportunities and enables good projects to progress at pace is also vital. TGE believes there is an opportunity to develop governance frameworks within which the public sector and private sector agree on shared outcomes and underpin this with a robust impact reporting approach that provides accountability for results. An outcomes framework will be needed to outline who any potential investment should be expected to contribute to relevant outcomes. This could build on an expanded version of the table set out in Section 2.6.

Figure 30: PBII Governance framework



Areas to consider when designing the approach to governance include:

- **Subsidiarity:** What is the right scale for decision-making, on the place side and the investment side? This is likely to vary by asset class. From a place perspective:
 - Areas like housing, regeneration, and social infrastructure make sense to plan for at a Travel to Work Area (TTWA level) reflecting the pattern of local economic activity and demographics. University catchment areas are also relevant for significant student populations.
 - SME investment may make more sense to consider based on strategic clusters that support specialist economic ecosystems e.g. life sciences, tech sectors, creative sectors.
 - Transport and energy infrastructure merit a more pan-regional (and in some cases national) approach.
 - Natural capital investment is more determined by factors such as the pattern of current and potential land use and flood plains, which bear little relationship to administrative boundaries.
- From an investment perspective, different considerations also apply:
 - Housing investment is highly segmented into different sub-asset classes (such as Build to Rent, Affordable Rent, and Student Accommodation) which have distinct and well-established risk : reward profiles. Fund managers will often look nationally for assets that meet their fund’s requirements, but there is an increasing number of housing investors becoming more intentional about place-based impact and looking to improve their engagement with local government and demonstrate community outcomes.
 - SME investment is more influenced by how the individual companies being funded fit within a wider local ecosystem – meaning investors need to understand local dynamics in some depth and will often set up a regional footprint to manage this.
 - Natural capital investors are interested in how assets like flood management schemes and biodiversity banks support wider economic activity in a place, so need to understand both the natural and economic environments their assets sit within.

The governance model needs to recognise these subtleties, ensuring that the right parties are involved in the right decisions.

Aligning Local Investment Priorities and LGPS Investment Strategies

The government is proposing large-scale reforms to the pension system, including scaling-up local investment. The proposed approach suggested in the government’s Fit for the Future consultation in terms of individual LGPS administering authorities (AAs) and the Pool’s responsibility for local investment is as follows:

“Boosting LGPS investment in their localities and regions in the UK, by requiring AAs to:

- set out their approach to local investment in their investment strategy including a target range for the allocation and having regard to local growth plans and priorities,
- to work with local authorities, Combined Authorities, Mayoral Combined Authorities, Combined County Authorities and the Greater London Authority to identify local investment opportunities;
- to set out their local investment and its impact in their annual reports.

Pools would be required to conduct suitable due diligence on potential investments and make the final decision on whether to invest.”

The Midlands LGPS are members of three different pools – ACCESS, Border to Coast and Central – as indicated in Figure 31 below. The fact that the Central Pool has a strong geographic alignment with the Midlands region puts it in a strong position to act as a focal point for regional investment; this is less straightforward for ACCESS and Border to Coast.

Figure 31: LGPS Geography of the Midlands

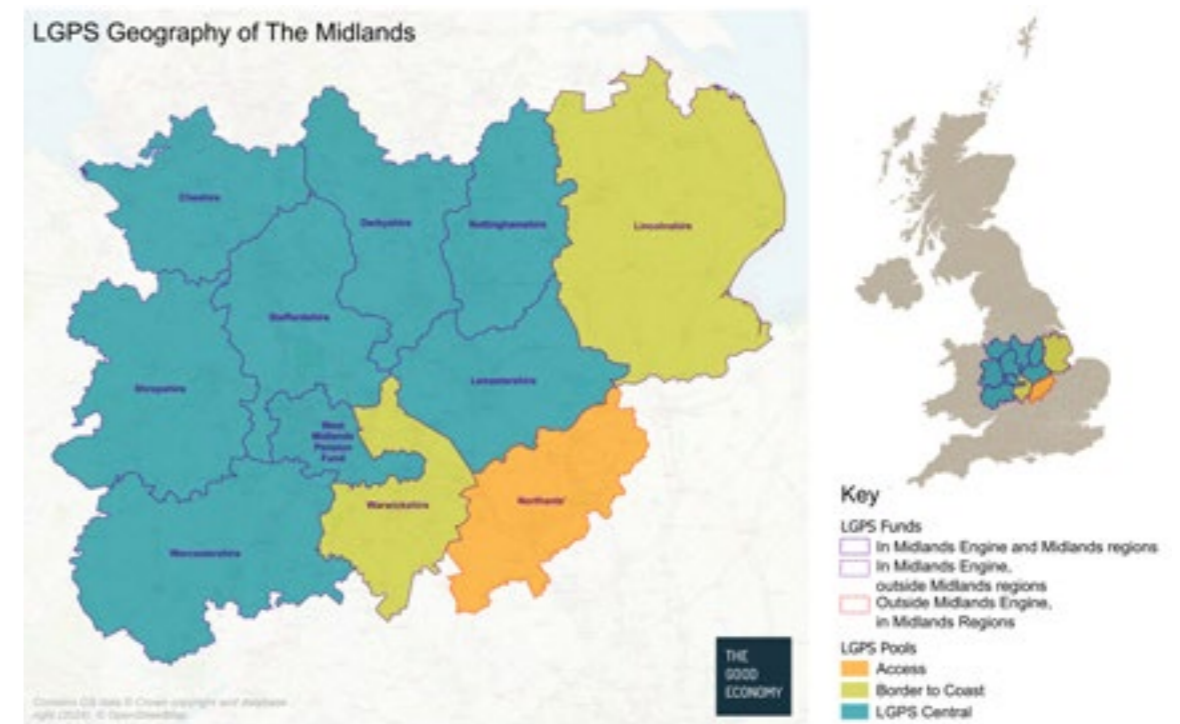


Figure 32 below shows Pool alignment and Assets under Management (AuM) for the LGPS funds in the Midlands. Collectively they account for just over £68bn of assets, with the West Midlands by far the largest individual LGPS, accounting for £21bn (31% of total). *If 5% of these assets were invested in PBI assets this would represent a contribution of £3.4bn.*

Figure 32: Midlands LGPS Assets under Management

LGPS Fund	Asset Pool	AUM 23/24 £bn ³⁷
Cheshire	Central	6.64
Derbyshire	Central	6.46
Leicestershire	Central	6.39
Lincolnshire	Border to Coast	3.40
Nottinghamshire	Central	7.03
Shropshire	Central	2.50
Staffordshire	Central	7.55
Warwickshire	Border to Coast	2.95
West Midlands	Central	21.22
Worcestershire	Central	3.91
Total		68.05

37. Ministry of Housing, Communities and Local Government, 2024. [Local government pension scheme statistics - GOV.UK](https://www.gov.uk/government/statistics/local-government-pension-scheme-statistics)

At the time of writing, the government is due to announce its final plans for LGPS pension reform in the spring. However, the Pools and individual LGPS are already planning how to rise to the challenge of increasing local investment including agreeing an overarching approach. Central has already started conversations with the combined authorities. TGE's view is that there is much to be learnt from GMPF and the Northern Pool's funds in terms of how to develop a local investment strategy and investment capability (see Section 3.6).

Later this spring would be a timely opportunity to bring together relevant stakeholders at the regional level to discuss the parameters of an LGPS local investment strategy – what are the parameters of what they can and cannot invest in now given fiduciary requirements and investment capability and what are they opportunities that could be explored in line with the opportunities identified in this paper.

Ultimately, strengthening relations between LGPS and local government will require building capacity and expertise on both sides, and establishing known investment criteria, templates, processes, and governance structures.

Getting Started

As with the other areas covered in this section, developing a comprehensive governance model will take time. This should not stand in the way of making a start. Existing structures such as Midlands Engine and Midlands Mindforge could provide at least an initial focal point for this.

5.4. Build Local PBII Capacity to Deliver

A common theme emerging from our research was capacity and capability gaps amongst local government organisations across the region. Creating and executing a place-based investment strategy requires a range of skills and capabilities at different stages in the journey, as illustrated in Figure 33 below. Local stakeholders should ensure they have access to the skills needed on a timely basis: private investors will not be keen to engage if they sense that their local counterpart will be unable to deliver its side of the process at reasonable pace. Where resources are scarce, it may be best to start small to build confidence and grow as capacity allows or buy in relevant expertise and capacity, as GMCA did in the early days of devolution.

Figure 33: illustrative capabilities needed by activity³⁸

	Create vision and strategy	Create spatial plan	Identify and test investable propositions	Create investment vehicles and structures	Manage delivery
Profile of activity	Every [10] years	Every [10] years, ongoing iteration	Continuous opportunity led	Continuous opportunity led	Continuous
	Strategic leadership, governance, strategy finance, data				
City / CA Intelligent Client	Strategy development stakeholder engagement and community participation	Owner of overall spatial plan Local Plans, Development Plan Economic development planning	Portfolio development Planning process	Asset management Scheme finance Legal advice Procurement advice	Project and programme management
Ways of working	Collaboration, promotion, learning, adaptation, reliance				
Shared resource	Expertise to critique and/ or help develop vision and strategy	Multiple technical disciplines to help develop layers of the spatial plan	Specialist technical and commercial support Funding to develop propositions	Specialist technical and commercial support in all areas above Catalytic capital to crowd in private investment	Ongoing support with delivery management

There are pockets of strength around the region which can be built on. Funding sources must be identified for project development, such as allocating a portion of devolution funding to build or buy in capability, assessing areas which may be more effectively resourced at the pan-regional level.

It may make sense to build a regional centre of excellence in certain specialist areas (such as opportunity due diligence and vehicle design) at a pan-regional level, to be drawn upon by sub-regional entities when needed. This would also have the advantage of providing a single 'front door' for institutional investors to engage with at the beginning of the process. This could take the form an advisory board with real financial expertise recruited into a small secretariat team, working across regional local government.

Capability development is also integral to ensuring appropriate asset ownership and local benefits realisation, equipping local stakeholders with the knowledge and power to effectively finance deals (such as the relevant governance, cost of finance and fair sharing of risk and reward).

5.5. Create Investment Pipeline and Vehicles

There are several existing resources in the Midlands that form the foundation of a pipeline of opportunities, and potential investment vehicles through which they can be delivered. Here we highlight some of the main opportunities grouped by asset class pillar. We recognise the importance of the social economy as a partner in inclusive growth plans, however, an analysis of social investment opportunities was beyond the scope of this paper.

Housing and Regeneration

Midlands Engine investment pipeline: Midlands Engine has identified a pipeline of ~£50bn of current and future opportunities for investment in the Midlands – see Figure 34.

Figure 34: Midlands Engine investment pipeline summary

Area	Current Opportunity (£million)	Coming Soon (£million)	Future Opportunity (£million)
WMCA	7,460	11,860	550
EMCCA	2,294	1,000	1,743
West Other	1,145	660	
East - Leicestershire	3,255		8,400
Lincolnshire	7,822	3,522	
Total	21,976	17,042	10,693

38. Urban Futures Commission Investment Playbook, 2023

Figure 35: Anticipated economic impact of identified investments

Area ³⁹	Population (million)	Population % of total	# of Jobs ⁴⁰	GDV (£million) ⁴¹	% of total GDVA
WMCA	2.9	29%	102,406	19,870	40%
EMCCA	2.3	23%	55,350	5,037	10%
West Other	2.8	28%	31,795	1,805	4%
East - Leicestershire ⁴²	1.2	12%	23,820	11,655	23%
Lincolnshire	0.8	8%	111,150	11,344	23%
Total	10	100%	394,521	49,711	100%

The opportunities included are mainly real estate-related investments where the Local Authority has a stake (e.g. land ownership). There is a need to disaggregate and categorise the data to understand whether the investments are contributing to holistic place-based growth. 74 of the 88 opportunities identified appear to contribute to more than one PBII asset class pillar and 22 contribute to four or more pillars. The opportunities identified vary in size from £9 million to £8.4 billion (East Midlands Freepoint).

There is inequality across regions in how planned investment is distributed – with EMCCA and West Midlands LAs (outside of WMCA) having substantially less planned investment proportionate to their population than WMCA, Leicestershire and Lincolnshire. There are steps currently underway which should increase both the amount of investment and the distribution across areas:

- Development of area-wide investment visions, with clear sub visions specific to place and pillar.
- Creation of posts that are focused on attracting, directing, and maximising investment for the region, especially in EMCCA.

The number of homes currently detailed in the pipeline (48,857) is less than a third of the three-year house building need (167k) and is only slightly above the yearly average (44.5k), indicating an urgency for more housing projects to be incorporated into the pipeline. Midlands Engine has started identifying potential

locations for house building investment. To date, 5,931 brownfield sites across the Midlands have been identified, capable of delivering 246,000 homes.

Many of the investments identified by Midlands Engine provide a foundation for supporting the development of SMEs. For example, contributions to research and development, as well as commercial industry, or office infrastructure. Additionally, Midlands Mindforge has identified £3.4 billion of investment into SMEs through their own and co-investor contributions.

Despite some of the questions raised above, the investment pipeline provides a useful starting point for real estate-focused investors seeking to understand the state of opportunities across the region.

Infrastructure

For infrastructure investment, existing structures within the region include Midlands Connect with its focus on transport. From an investment perspective, GLIL is an established model designed to be used by LGPS funds which could provide a vehicle for more infrastructure investment in the region.

Clean Energy

As referenced in Section 2.5, Energy capital and the Midlands Net Zero Hub provide useful entry point for investors interested in this area. The proposed Midlands Green Bond concept being developed by the Midlands Engine may also prove a useful vehicle.

SME Finance

There are a number of existing funds which provide vehicles to scale-up regional SME investment, including by LGPS:

- The *Midlands Engine Investment Fund (MEIF)* provides commercially focussed finance through Small Business Loans, Debt Finance, Proof of concept and Equity Finance funds. MEIF was a collaboration between the British Business Bank and ten Local Enterprise Partnerships (LEPs) in the West Midlands and East and South East Midlands. It provided over £400m of investment to boost small and medium business growth in the Midlands. The Midlands Engine Investment Fund has now completed its investment phase and is transitioning to the Midlands Engine Investment Fund II which launched in March 2024. The new fund has embedded Environmental, Social and Governance (ESG) awareness into its design and is intended help support the UK economy's transition to net zero.
- The potential for local government and LGPS to work together within the region, albeit at a much smaller scale, has been demonstrated by the *West Midlands Co-Investment Fund*, totalling £25m. This has been set up by the West Midlands Combined Authority (WMCA) in partnership with West Midlands Pension Fund (WMPF) to support small and medium sized enterprises. Investments are focused on SMEs that offer high-growth potential and the ability to help supercharge the regional economy.
- *Midlands Mindforge* has been established to accelerate and enhance the commercialisation of ground-breaking science and technology innovations from the eight universities and the Midlands region. By providing capital and company-building skills to university spinouts and early-stage IP-rich businesses in the Midlands, its ambition is to build the foundations of a new technology eco-system in the region and create companies that can drive economic growth whilst delivering real-world impact. Midlands Mindforge is an independent company that aims to raise up to £250m from strategic corporate partners, institutional investors and qualifying individuals. The Midlands had 105 spinouts from Russell

Group universities as of January 2024, contributing approximately 6% of economic output from Russell Group spinout companies in 2021/22, compared to the Golden Triangle accounting for 77% of output from spinouts.⁴³

Natural Capital

Whilst not currently attracting large volumes of capital in its own right, natural capital investment is becoming recognised as a key enabler of wider investment, through mechanisms like flood plain management and BNG. As outlined in Section 2.5, the WMCA LINC initiative is developing models for place-based investment in Natural Capital for the region. The Midlands Forest Network, meanwhile, has objectives to:

- Establish a 'Midlands Forest Network' vision and delivery framework to engage stakeholders, coordinate effort and share practice.
- Map where public and private investment in nature-based solutions, in particular woodland, can best deliver public goods and community benefit, supply chain resilience, green infrastructure, and flood risk reduction.
- Work with stakeholders to build a portfolio of woodland-based 'investable propositions' that deliver the vision and attract green finance.
- Engage a wider and more diverse Midlands audience and connecting them with woods and trees.

Similarly, Midlands Nature has been established by multiple environmental bodies to provide a joined-up vision for nature recovery in the region, and advocate to regional and national governments. This is intended to develop large-scale delivery programmes to attract private investment into nature's recovery in the region.

Other models such as Rebalance Earth, a floodplain management-focused startup which recently received a substantial investment from West Yorkshire Pension Fund, are also worth tracking in this fast-evolving space.

Finally, public investment through the Environment Agency (for example in flood defences) has a key role to play in this space.

39. Does not include Northamptonshire or Cheshire

40. Includes Leicester and Rutland

41. Does not include Northamptonshire or Cheshire

42. Data missing for 14 investments

43. Russell Group. [Transforming the Economy: The Economic Impact of Research and Commercialisation Activities at Russell Group Universities](#)

Financial / Fiscal Considerations: Funding vs. Financing

Local and Combined Authorities need to consider funding alternatives – including grants, Public Works Loan Board (PWLB), debt, and equity – and find the best fit for the nature of the project. In some cases, blended finance, bringing private and public funding together (from local government sources and/or national bodies such as the National Wealth Fund), can enable projects with significant social and environmental benefits to be delivered where neither source alone could do so. There are good examples of this to draw from (both within the UK and from overseas, including international Development Finance Institutions) but there is a need for further development of these models. GMCA has had some success using devolution funding to provide a public investment pot and built institutional capacity to prepare projects and raise private investment.

Another important outcome area to consider across all types of investment is the extent to which investment could in turn generate revenue or cost savings for local authorities and other public bodies. For example, investing in housing can have health benefits which lead to NHS Trust cost savings, while providing business space can bring increased business rates.

Figure 36: Example investment opportunities

PBII pillar	Name	Location	Description
Regeneration	Leicester Waterside	Leicester	Regeneration of 50 hectares with 40,000m ² offices, over 2,350 homes, a prime city location, and new Grade A offices.
	Brewers Yard	Wolverhampton	Regeneration of 10 acres with 1,300 new homes, 60,000ft commercial, transport links, and hundreds of construction and permanent jobs.
Energy	ABLE Humber Port - ABLE Marine Energy Park	Immingham (North East Lincolnshire)	Investment of £450m in a 331-hectare renewable energy port, offering 1,349m deep-water quays for next-generation offshore wind manufacturing and deployment.
	Spalding Battery Energy Storage System in Lincolnshire	Spalding area (Lincolnshire)	The Spalding Project will create one of the world's largest battery energy storage systems (550 MW/1100 MWh), supporting the UK's net zero targets. Its first 300 MW phase is scheduled for 2026, delivering zero greenhouse gas emissions and significant energy capacity.
Infrastructure	New Stanton Park	Ilkeston (Derbyshire)	New Stanton Park will reintroduce a direct Midland Mainline connection and expand its existing rail hub, featuring a 935 m siding for large goods locomotives. With over 2 million ft of industrial space near major road links, it offers seamless rail logistics to UK ports.
SMEs	South Lincolnshire Food Enterprise Zone, Holbeach	Holbeach / Spalding area (Lincolnshire)	The South Lincolnshire Food Enterprise Zone (FEZ) covers an area of circa 17 hectares (42 acres) of employment space. The FEZ will provide high quality business space for new businesses and SME's specifically in the agri-tech sector.
	Midlands Mindforge	Pan-regional partnership of 8 universities	Aiming to raise up to £250m to invest in university spin-out businesses, with the aim of capturing long-term value growth within the region
	Space City Leicester	Leicester	Space City Leicester supports 50+ R&D firms, 2,000m ² labs, and new satellite manufacturing, providing a hub for space sector growth.
Housing	Coventry City Centre South	Coventry (West Midlands)	Offers 1,550 new homes across multiple tenures, presenting prime build-to-rent investment opportunities and fostering major regeneration.
	Ashton Green	Leicester	A 130-hectare sustainable extension, including 3,000 homes, 10 hectares of employment land, improved public transport.
Health	Charnwood Campus Science, Innovation and Technology Park (Enterprise Zone)	Loughborough (Leicestershire)	Features advanced laboratories, manufacturing, and healthcare tenants (Almac, 3M, Kindeva), supported by a Life Science Institute for skills.

5.6. Leverage Regional Data Capabilities

Data is important for:

- Establishing baseline conditions (economic, social and environmental).
- Quantifying success measures against the strategy.
- Understanding and testing 'theories of change' (i.e. how investment is expected to lead to desired outcomes).
- Identifying and prioritising investment opportunities.
- Informing market engagement and commercial arrangements with delivery partners.
- Tracking progress on an ongoing basis, feeding back into both delivery and strategy.

The data held by the likes of the Midlands Engine Observatory, Midlands Engine and Midlands Connect is a good starting point to build from. Wherever possible, stakeholders across the region should adopt an open approach to sharing data for mutual benefit, alongside adopting common standards for how data is collected and structured to enable pan-regional patterns of opportunity to be identified and developed.

Originating and Executing Transactions

A key element within the governance model, with a significant dependency on robust data, is a process for identifying, developing, and executing investment opportunities. Consideration should be given to establishing one or more origination platforms, which could operate at a pan-regional level (building on the existing Midlands Investment Portfolio) to help streamline this.

An origination platform is a way of sourcing projects and enterprises for investment, and is usually a website. In its simplest form, an origination platform is a service provider for (at least) two groups of entities, capital providers (asset owners and managers), and capital seekers (funds, projects and enterprises). Capital providers use the platform to seek out funds, projects, and enterprises to invest in, which meet their pre-determined parameters in relation to risk/return (as well as complying with any applicable regulatory requirements). Capital seekers, on the other hand, would use the platform to raise finance into funds, projects, and/or enterprises.

5.7. A Summary of PBII in the Midlands

In terms of adopting the PBII approach, the Midlands is not starting from a blank slate. There are established examples of good practice within the region which align well with the principles of PBII, as well as emerging models and initiatives that provide strong foundations to build a new framework on. We recommend a strategy of working towards a PBII model that delivers investment of the scale and nature needed to achieve the goals set out in the Midlands Growth Story, whilst in parallel making a start with delivery in areas where conditions are favourable.



6. Ecosystem Actions

Achieving a step change in place-based investment across the Midlands will require a different approach from players across the funding ecosystem. In this section we pull together key recommendations for the main stakeholder groups with the collective power to make that change.

6.1. Central Government

- Ensure that as new organisational arrangements are implemented on both the local government and LGPS side, due weight is given to retaining the value of existing capabilities and relationships already developed within and between existing institutions.
- Apply a commercial investment lens across all policy areas with a material impact on local and regional investment – including industrial policy, devolution, planning and pensions regulation. Consider how each policy domain can be designed, where appropriate, to encourage private investment to work alongside public funding to deliver locally determined economic, social and environmental outcomes in a way that represents value for money to the public purse.
- Design the funding settlement between central and local government to allow and incentivise local stakeholders to focus on defining local need and crowding in private investment to support its delivery.
- Provide guidance and direction to government agencies and regulated utilities that enables and incentivises them to act as constructive partners within locations, recognising the critical role they often play as enablers of wider investment-led growth. Bodies such as Homes England and the National Wealth Fund should be mandated to contribute to blended finance models which can help unlock investment opportunities where the economic, social and environmental case is strong, but the standalone commercial case is not fully viable.
- Work with local stakeholders to use its landholdings and position in the local economy to unlock further opportunities – e.g. allowing NHS-owned land to be used to deliver keyworker housing.

6.2. Local and Regional Government

- Recognise the importance of strong political leadership and co-operation in creating an environment conducive to institutional investment.
- Identify and start to build the capabilities you need to be effective. This may require working collectively with others to create shared pools of expertise in some areas.
- Create a culture that encourages constructive, clear-eyed engagement with investors – including allowing officers the space to try new approaches.
- Learn about institutional investment, what it can offer and what it needs from you to enable it to engage.
- Current uncertainty should not deter local and regional government from making a start. Find and deliver 'quick win' opportunities to demonstrate intent and build confidence.
- Focus on improving local skills, working with e.g. universities – this is a key enabler for external investment alongside quality of infrastructure.

6.3. Pan-Regional Bodies

- Irrespective of the outcome of the ongoing review of devolution arrangements in England, we believe there is a strong case for pan-regional co-ordination at Midlands scale in a number of areas.
- It should also be recognised that existing pan-regional entities (Midlands Engine, Midlands Connect, Midlands Mindforge, Midlands Engine Observatory) have built up significant institutional knowledge and relationships relevant to the investment agenda. Given that Local Enterprise Partnerships are already either dissolved or about to be so, serious thought should be given to how this valuable institutional capital can be absorbed into any new structures. Pan-regional bodies should continue to facilitate collaboration across the entire region, whilst leveraging this knowledge to connect share critical insights and connect opportunities.
- If given a longer-term mandate, bring on skills and experience to develop, appraise and structure private finance and investable solutions – capacity is important to develop investable solutions, otherwise will likely need to be set at Strategic Authority level.

6.4. LGPS Funds/Pools

- Learn from the likes of Greater Manchester Pension Fund and South Yorkshire Pensions Authority, who already work directly with their local and Combined Authorities to identify and make investments.
- As the Mansion House proposals solidify, the Pools may need to develop a separate stream of activity for local investment. There is a diverse range of investment managers across areas including affordable housing, SME finance, clean energy, and social investment all looking to raise capital and scale-up their local investment. We need better information flows across the value chain to increase knowledge about these funds as well as local projects. This has implications for consultants and investment advisors to ensure they do not become a barrier to Place-Based Impact Investing.
- Administering authorities will have the responsibility to engage with local government on their growth plans and monitor their investments in partnership with the pools. This should encourage more regular monitoring and assessment of place-based impact. We encourage the establishment of common impact measurement and management frameworks, with LGPS and local and devolved authorities agreeing what the LGPS can invest in, the expected local benefits and monitoring and reporting results achieved, including reporting these to pension holders. The PBII Reporting Framework co-created by TGE with a group of leading asset managers and LGPS is a good starting point.



6.5. Fund Managers

- Communicate offerings and needs, including information requirements, as clearly as possible.
- Use forums such as the PBII Network to share knowledge and build trust with place stakeholders.
- Seek to apply a place lens to investments: for example, if you manage multiple funds focused on different asset classes, look across them to understand how you are (or are not) investing in particular places, and what would need to change for you to invest more.
- Be open to testing new models at small scale with place partners.

6.6. Guiding Principles

The following guiding principles are relevant to all stakeholder groups:

- *Act with urgency:* Recognise the imperative to get things moving – there is an urgent need to address growth as a means of improving wellbeing, addressing net zero and demonstrating the region's ability to deliver to prospective investors.
- *Build on existing strengths:* Recognise and build on existing pockets of capability and expertise – don't try to build perfection from scratch.
- *Ensure long-term resilience:* Institutional investment is long-term by nature, so the approach needs to be designed to withstand not only economic shifts or changes in political leadership but also future reorganisations. Investments should contribute to a resilient, sustainable and fair economy.

The Midlands is a region with significant investment potential. It has many of the building blocks in place to get started and there are good examples from elsewhere it can learn from. It will be critical to avoid getting distracted by the impending institutional change and maintain a strong collective focus on the ultimate prize of sustainable regional prosperity. This report has tried to show how this can be done, but it is very much the start of a conversation.

- *Mobilise behind the shared vision:* A clear place vision that encompasses social and environmental goals, in addition to economic objectives, will provide clarity about what all parties are collectively trying to achieve – a 'North Star' to focus on even if organisational structures, policies and the wider landscape are shifting.
- *Engage with communities effectively and intentionally:* Community engagement should be seen as central in informing investment strategy on an ongoing basis, not simply a hurdle to overcome in the planning process.
- *Aligning incentives for delivery:* Local government needs to have skin in the game to minimise delays; by the same token, investors need to sign up to (and be held to account against) supporting delivery of local priorities.
- *Share risks and returns equitably:* In any commercial arrangement, risks should be allocated to the party best able to manage them, and returns should be appropriately distributed. For example, local stakeholders are in a better position to understand risks relating to local supply chains and community sentiment than more nationally focused partners, who will conversely be able to bring lessons from elsewhere to the table.
- *Learn from others:* Look outwards and be open to learning to draw on and shape best practice – there are good examples in Greater Manchester and elsewhere. Embed openness to learn from your own people and engage in dialogue with peers to drive systemic shifts.

Appendices

Appendix 1 – List of Interviewees and Survey Respondents

TGE would like to thank the following people for supporting this project through interviews, survey responses and provision of data or information for case studies.

Figure 37: List of interviewees

Organisation Type	Organisation	Name	Role
Local Stakeholder	Midlands Connect	Maria Machancoses / Mike Bull / Alexandra Dodds	CEO / Programme Director / Policy Lead
Local Stakeholder	Midlands Engine Health Care Life Sciences Board	Dean Fathers / Charles DeRohan	Chair of Health Care and Life Sciences Board / Chair of Health Finance Working Group
Combined / Local Authority	East Midlands Combined Authority	Will Morlidge / Richard Grice	Acting Executive Director for Strategy & Growth / Interim Executive Director for Place
Combined / Local Authority	East Midlands Combined Authority	Tom Goshawk	Head of Investment Strategy and Programmes
Combined / Local Authority	Greater Manchester Combined Authority	Andrew McIntosh / Laura Blakey	Director of Place / Director of Strategic Finance and Investment
Combined / Local Authority	Lincolnshire County Council	Andy Gutherson	Executive Director of Place
Combined / Local Authority	Marketing Nottingham and Nottinghamshire	Megan Powell Vreeswijk	Chief Executive
Combined / Local Authority	Warwickshire County Council	Ian Flynn	Inward Investment Manager
Combined / Local Authority	West Midlands Combined Authority	Renn Ore / Dominic Taylor	West Midlands Net Zero Accelerator Programme
Combined / Local Authority	West Midlands Combined Authority	Jonathan Gibson	Head of Policy and Public Affairs
Investor	Aviva Investors	Imogen Ebbs	Head of UK Funds in Real Estate Equity
Investor	Foresight Group	Emma Hardcastle	Senior Investor Relations Manager
Investor	GLIL Infrastructure	Ted Frith	Managing Director
Investor	Gresham House	Peter Bachmann	Managing Director of Sustainable Infrastructure Division
Investor	Legal & General Group	Julia Goldsworthy	Head of Social Impact Investment
Investor	Midlands Mindforge	Lisa Smith	Chief Executive
Investor	Octopus Energy	Zoë Reich	Founding Partner - Octopus Energy Climate Ventures
Investor	Octopus Investments	Jonathan Digges	Chief Investment Officer
Investor	Pension Insurance Corporation	Hayley Rees	Managing Director

Organisation Type	Organisation	Name	Role
Investor	Schroders Capital	Chris Santer	Portfolio Manager, Impact Fund
Investor / Originator	CBRE IM UK	William Church / George Richards	Investment Advisory Executive Directors
Bank	Lloyds Banking Group	Chris Sood-Nicholls	Managing Director, Regional Development
Developer	Deeley Group	Eleanor Deeley	CEO
Developer	Far East Consortium	Gavin Taylor	Executive Director
Financial Intermediary	Centrus	Phil Jenkins	Managing Director
Pension Fund	Greater Manchester Pension Fund	Paddy Dowdall	Assistant Director
Pension Fund	Lincolnshire Pension Fund	Michelle Grady	Assistant Director of Finance
Pension Fund	West Midlands Pension Fund	Shiventa.Sivanesan	Assistant Director (Investment Management & Stewardship)
Pension Fund Pool	Advisor to Midlands Engine	Mike Weston	Former CEO LGPS Central
Pension Fund Pool	Borders to Coast Pensions Partnership	Rachel Ewell	Chief Executive
Pension Fund Pool	LGPS Central	Patrick O'Hara	Director of Responsible Investment and Engagement

Figure 38: List of participating organisations for local government survey

Organisation	Organisation
Birmingham City Council	North Lincolnshire council
City of Wolverhampton Council	Nottinghamshire County Council
Coventry City Council	Sandwell Metropolitan Borough Council
Derby City Council	Staffordshire County Council
Derbyshire County Council	Stoke on Trent City Council
Herefordshire Council	Telford & Wrekin Council
Humber Freeport Company Limited	Warwickshire County Council
Lincolnshire County Council	Worcestershire LEP/ WCC

Appendix 2 – List of Key Sources

This appendix outlines the key sources referenced within the report.

Resource	Author / Source	Year published
Innovation hotspots: Clustering the New Economy	Centre for Cities	2023
The role of the Midlands Engine in the British economy	Centre for Cities	2023
Addressing regional inequalities	Chartered Institute of Public Finance and Accountancy (CIPFA)	2024
Invest 2035: the UK's modern industrial strategy	Department for Business & Trade	2024
The economic impact of the Russell Group universities' R&D activities	London Economics	2024
Exploring the Investment Potential of Midlands Clusters	Midlands Engine	2023
Midlands Growth Story	Midlands Engine	2024
State of the Region 2023	Midlands Engine	2023
The Midlands Productivity Challenge	Nigel Driffield / The Productivity Institute	2022
Investing in our future: Practical solutions for the UK government to mobilise private investment for economic, environmental and social policy priorities	Sarah Gordon	2023
Measuring Poverty 2024	Social Metrics Commission	2024
Place-Based Impact Investing (PBII) Innovation Labs: Findings and Lessons Learned	The Good Economy	2023
Regions, cities and finance: The role of capital shocks and banking reforms in shaping the UK geography of prosperity	The Productivity Institute	2024
Scaling up Institutional Investment for Place-Based Impact: White Paper	The Good Economy, Impact Investing Institute, Pensions for Purpose	2021
The Productivity Agenda: A blueprint for how the public and private sector can be better equipped to translate productivity gains into improved living standards.	The Productivity Institute	2023
UK Urban Futures Commission: Investment Playbook	UK Urban Futures Commission	2023

Appendix 3 – Midlands Context: Additional Detail

Population and Economy

Figure 39 below shows key demographic and economic statistics for the various subregions that make up the Midlands. These sub-regions range in size, economic output, connectivity and rural/urban composition, contributing to the complexity and diversity of the Midlands as a region.

Figure 39: Key features of Midlands sub-regions⁴⁴

Sub regions	Population (2023)	Area (km ²)	GVA (£bn) (2022)	SME population (2021)
East Midlands Combined Authority				
Derby & Derbyshire	1.1m	2,600	26.9	53k
Nottingham & Nottinghamshire	1.2m	2,200	30.5	57k
West Midlands Combined Authority				
West Midlands (County)	2.9m	900	76.3	114k
Non-Combined Authority Regions				
Stoke-on-Trent & Staffordshire	1.2m	2,700	22.7	37k
Lincolnshire	1.1m	6,000	18.1	34k
Leicester, Leicestershire & Rutland	1.2m	2,600	31.6	47k
Warwickshire	0.6m	2,700	20.5	28k
Worcestershire	0.6m	2,300	15.6	28k
Shropshire, Herefordshire, Telford & Wrekin	0.7m	5,700	18.5	20k
Cheshire	1.1m	2,300	42.4	n/k
Northamptonshire	0.8m	2,400	22.8	37k

Appendix 4 - Investment Need by Asset Class across Midlands and UK

Asset Class	Midlands Needs	UK Needs	Sources
Housing	Shortfall of ~11,000 homes per year (based on target vs actual delivery: East Midlands 3-year target of 77,000 vs 67,000 delivered; West Midlands target of 90,000 vs 65,000 delivered)	140,000 homes per year (based on target of 370,000 vs 230,000 delivered)	Lichfields Housing targets Savills
Infrastructure – Transport	£6bn underinvestment in Midlands transport (2019-2024), with a focus on East Midlands with the lowest per capita transport spend of all UK regions at £361 (nb. West Midlands per capita spend is higher than the UK average at £694)	Average UK transport spend per capita of £648	The Midlands Growth Story , Midlands Engine Transport spend per capita (Gov.uk/Treasury)
Infrastructure – Digital	19.5% of Midlands Engine premises lack gigabit broadband Potential benefits: Full-fibre broadband could enable 155,000 more people to enter the workforce	21.5% of UK premises lack gigabit broadband	Ultrafast full fibre broadband: a platform for growth (Cebr) Connected Nations (Ofcom)
Clean Energy	£20bn in planned investment for renewable energy projects	Over £200bn private sector investment required to reach net zero by 2050 in local energy, buildings and transport sectors Potential benefits: a place-based approach to net zero could reduce investment costs for cities by £137bn while delivering an additional £431bn in energy savings and broader social benefits	Midlands Energy Security White Paper (Midlands Engine) Accelerating Net Zero Delivery (UKRI/PWC) Carbon Budget Dataset (Climate Change Committee) Investment case for rooftop solar power in warehousing (UKWA)
SMEs / Innovation	Midlands spinouts receive 15p for every £1 spent on spinouts in the Golden Triangle (East of England, London and the South East) – 6.3x funding gap Midlands Mindforge plans to invest £700m over the next 7 years, and gain an additional £2.7bn in co-investment £211m innovation funding gap in the Midlands between European funding up until 2023, and domestic replacement funding (not ringfenced for innovation)	£22bn funding gap for SMEs as lending to UK SMEs has fallen by 20% over the last 10 years	Midlands Economic Briefing (Midlands Mindforge) Innovation funding in the Midlands (Midlands Engine) Banking and Financial Services Taskforce Delivers SME Action Plan to Boost UK Economic Growth
Natural Capital	More investment needed to protect and enhance natural capital in the Midlands, pipeline under development – in the West Midlands, the £1m Defra-funded West Midlands Local Investment in Natural Capital (LINC) programme will build a Natural Capital Project Pipeline and investment prospectus by March 2025	£56bn private sector investment needed for nature-related projects (2022-2032) Potential benefits: £2.1bn annual savings if all in England had good access to green spaces	An estimate of the value and cost effectiveness of the expanded Walking the Way to Health Initiative scheme (Natural England) Our role in Natural Capital markets (UKIB)

44. National Trust, RSPB, Wildlife Trusts, Woodland Trust, Environment Agency, Natural England, Midlands Engine



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